GROUP 1 AUTOMOTIVE INC
Form S-3ASR
November 05, 2018
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As filed with the Securities and Exchange Commission on November 5, 2018

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER

THE

SECURITIES ACT OF 1933

GROUP 1 AUTOMOTIVE, INC.

GROUP 1 REALTY, INC.

(Exact name of registrants as specified in their charter)

Delaware	**76-0506313**
Delaware	**76-0632149**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

800 Gessner, Suite 500

Houston, Texas 77024

(713) 647-5700

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

Darryl M. Burman

Senior Vice President & General Counsel

800 Gessner, Suite 500

Houston, Texas 77024

(713) 647-5700

(Name, address, including zip code, and telephone number, including area code, of agent for service)

***Copies to*:**

Gillian A. Hobson

Vinson & Elkins L.L.P.

1001 Fannin Street, Suite 2500

Houston, Texas 77002

(713) 758-2222

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be registered / proposed maximum offering price per security /	Amount of registration fee(4)

	proposed maximum aggregate offering price(1)
Debt Securities	
Common Stock, par value $0.01 per share	
Preferred Stock, par value $0.01 per share	
Warrants	
Depositary Shares(2)	
Units	
Guarantees of Debt Securities(3)	
Total	

(1) There is being registered hereunder such indeterminate number of securities of Group 1 Automotive, Inc. as may be sold in an offering pursuant to this Registration Statement.
(2) The depositary shares registered hereunder will be evidenced by depositary receipts issued pursuant to a deposit agreement. If Group 1 Automotive, Inc. elects to offer to the public fractional interests in shares of its preferred stock, then it will distribute depositary shares, evidenced by depositary receipts issued pursuant to a deposit agreement, to those persons purchasing the fractional interests and will issue the shares of preferred stock to the depositary under the deposit agreement.
(3) If a series of debt securities is guaranteed, such series will be guaranteed by one or more subsidiaries of Group 1 Automotive, Inc., including Group 1 Realty, Inc. No additional consideration will be received for such guarantees. Pursuant to Rule 457(n) of the Securities Act, no separate fee is payable with respect to the guarantees of the debt securities being registered.
(4) In accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, the registrant is deferring payment of the registration fee required in connection with this registration statement.

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PROSPECTUS

Group 1 Automotive, Inc.

Group 1 Realty, Inc., as Guarantor

Debt Securities

Common Stock

Preferred Stock

Warrants

Rights

Depositary Shares

Units

Guarantees of Debt Securities

We may offer and sell the following securities from time to time in one or more transactions, classes or series and in amounts, at prices and on terms to be determined by market conditions at the time of our offerings: (i) debt securities, which may be senior debt securities or subordinated debt securities; (ii) common stock, $0.01 par value; (iii) preferred stock, $0.01 par value; (iv) warrants to purchase any of the other securities that may be sold under this prospectus; (v) rights to purchase debt securities, common stock, preferred stock or other securities; (vi) depositary shares and (vii) units consisting of one or more classes of these securities.

One or more of our subsidiaries, including Group 1 Realty, Inc., may fully and unconditionally guarantee, jointly and severally, any debt securities that we issue.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. This prospectus describes the general terms of these securities and the general manner in which we will offer the securities. The specific terms of any securities we offer will be included in a supplement to this prospectus. The prospectus supplement will also describe the specific manner in which we will offer the securities.

Investing in our securities involves risks. You should carefully consider the risk factors described under "Risk Factors" beginning on page 5 of this prospectus and in the applicable prospectus supplement or any of the documents we incorporate by reference before you make an investment in our securities.

Our common stock is traded on the New York Stock Exchange, or the "NYSE," under the symbol "GPI." The last reported sales price of our common stock on the NYSE on October 31, 2018 was $57.74 per share. We will provide information in the prospectus supplement for the trading market, if any, for any debt securities we may offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used without a prospectus supplement.

The date of this prospectus is November 5, 2018.

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This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or the SEC or Commission. In making your investment decision, you should rely only on the information contained in this prospectus, any prospectus supplement and the documents that we incorporate by reference. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. Our business, financial condition, results of operations and prospects may have changed since those dates. We are not making an offer of these securities in any jurisdiction where the offer is not permitted.

You should not assume that the information contained in this prospectus or any prospectus supplement, as well as the information that we have previously filed with the SEC that is incorporated by reference into this prospectus or any prospectus supplement, is accurate as of any date other than the date of such document.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or the SEC using a shelf registration process. Under this shelf registration process, we may, over time, offer and sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of us and the securities offered under this prospectus. Each time we sell securities with this prospectus, we will provide you with a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add to, update or change information in this prospectus. Before you invest in our securities, you should carefully read this prospectus and any prospectus supplement and the additional information described under the heading Where You Can Find More Information.

To the extent information in this prospectus is inconsistent with information contained in a prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement, together with additional information described under the heading Where You Can Find More Information, and any additional information that you may need to make your investment decision.

We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. Our business, financial condition, results of operations and prospects may have changed since those dates. This prospectus and any prospectus supplement is not an offer to sell or the solicitation of an offer to buy any securities other than the securities to which they relate and is not an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction.

You should not assume that the information contained in this prospectus or any prospectus supplement, as well as the information that we have previously filed with the SEC that is incorporated by reference into this prospectus or any prospectus supplement, is accurate as of any date other than the date of such document.

Unless the context requires otherwise, all references in this prospectus to Group 1, the company we, us and our r to Group 1 Automotive, Inc. and its subsidiaries.

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WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by us at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public from commercial document retrieval services and at the SEC s web site at *http://www.sec.gov*.

We also make available free of charge on our Internet website at *http://www.group1auto.com* all of the documents that we file with the SEC as soon as reasonably practicable after we electronically file such material with the SEC. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website as part of this prospectus.

We incorporate by reference information into this prospectus, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained expressly in this prospectus, and the information that we file later with the SEC will automatically supersede this information. You should not assume that the information in this prospectus is current as of any date other than the date on the front page of this prospectus.

We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) (excluding any information furnished and not filed with the SEC), including all such documents that we may file with the SEC prior to the termination of the offering under this prospectus:

Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the 2017 Annual Report);

Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2018, June 30, 2018, and September 30, 2018;

Current Reports on Form 8-K filed on January 11, 2018, January 16, 2018, January 31, 2018, February 20, 2018, February 22, 2018, March 6, 2018, April 17, 2018, May 22, 2018, August 8, 2018 and August 17, 2018 and September 10, 2018.

The information specifically incorporated by reference into the 2017 Annual Report from our Definitive Proxy Statement or Schedule 14A filed on April 12, 2018; and

The description of our capital stock contained in our registration statement on Form 8-A/A filed on October 16, 1997 and any subsequent amendment thereto filed for the purpose of updating such description.

You may request a copy of any document incorporated by reference in this prospectus and any exhibit specifically incorporated by reference in those documents, at no cost, by writing or telephoning us at the following address or phone number:

Group 1 Automotive, Inc.

Attention: Darryl M. Burman

Senior Vice President & General Counsel

800 Gessner, Suite 500

Houston, Texas 77024

(713) 647-5700

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information in this prospectus, any prospectus supplement and in the documents incorporated by reference includes certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Exchange Act. This information includes statements regarding our strategy, plans, goals or current expectations with respect to, among other things:

- our future operating performance;
- our ability to maintain or improve our margins;
- operating cash flows and availability of capital;
- the completion of future acquisitions and divestitures;
- the future revenues of acquired dealerships;
- future stock repurchases, refinancing of debt and dividend issuances;
- future capital expenditures;
- technology changes affecting dealerships and the automotive industry;
- changes in sales volumes and availability of credit for customer financing in new and used vehicles and sales volumes in the parts and service markets;
- business trends in the retail automotive industry, including the level of manufacturer incentives, new and used vehicle retail sales volume, customer demand, interest rates and changes in industry-wide inventory levels;
- availability of financing for inventory, working capital, real estate and capital expenditures; and
- implementation of international or domestic trade tariffs.

Although we believe that the expectations reflected in these forward-looking statements are reasonable when and as made, we cannot assure you that these expectations will prove to be correct or that future developments affecting us

will be those that we anticipate. When used in this prospectus, the words anticipate, believe, estimate, expect, inte
may and similar expressions, as they relate to our company and management, are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Known material factors that could cause our actual results to differ from those in the forward-looking statements are those described in Part I, Item 1A. Risk Factors of our most recent Annual Report on Form 10-K, any Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K, which are incorporated by reference herein.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no responsibility to publicly release the result of any revision of our forward-looking statements after the date they are made, except as required by law.

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THE COMPANY

We are a leading operator in the automotive retail industry. Through our dealerships, we sell new and used cars and light trucks; arrange related vehicle financing; sell service and insurance contracts; provide automotive maintenance and repair services; and sell vehicle parts. Our operations are aligned into three geographic regions: the United States (U.S.), the United Kingdom (U.K.) and Brazil. Our President of U.S. Operations reports directly to our Chief Executive Officer and is responsible for the overall performance of the U.S. region, including dealership operations management. The operations of our international regions are structured similar to the U.S. region. As such, our three reportable segments are the U.S., which includes the activities of our corporate office, the U.K., and Brazil.

As of September 30, 2018, we owned and operated 237 franchises, representing 32 brands of automobiles, at 181 dealership locations and 47 collision centers worldwide. We own 152 franchises at 117 dealerships and 29 collision centers in the U.S., 63 franchises at 47 dealerships and 11 collision centers in the U.K., and 22 franchises at 17 dealerships and seven collision centers in Brazil. Our U.S. operations are primarily located in major metropolitan areas in Alabama, California, Florida, Georgia, Kansas, Louisiana, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, Oklahoma, South Carolina, and Texas in the U.S., in 32 towns of the U.K. and in key metropolitan markets in the states of São Paulo, Paraná, Mato Grosso do Sul, and Santa Catarina in Brazil.

Our principal executive offices are located at 800 Gessner, Suite 500, Houston, Texas 77024, and our telephone number at that location is (713) 647-5700.

THE SUBSIDIARY GUARANTORS

Certain of our subsidiaries, including Group 1 Realty, Inc., which we refer to as the subsidiary guarantors in this prospectus, may fully and unconditionally, jointly and severally, guarantee our payment obligations under any series of debt securities offered by this prospectus. Financial information concerning our subsidiary guarantors and any non-guarantor subsidiaries will be included in our consolidated financial statements filed as part of our periodic reports filed pursuant to the Exchange Act to the extent required by the rules and regulations of the SEC.

Additional information concerning our subsidiaries and us is included in reports and other documents incorporated by reference in this prospectus. Please read Where You Can Find More Information.

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RISK FACTORS

An investment in our securities involves a significant degree of risk. Before you invest in our securities you should carefully consider those risk factors included in our most recent Annual Report on Form 10-K, any Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K, which are incorporated herein by reference, and those risk factors that may be included in any applicable prospectus supplement, together with all of the other information included in this prospectus and the documents we incorporate by reference, in evaluating an investment in our securities. If any of the risks discussed in the foregoing documents were to occur, our business, financial condition, results of operations and cash flows could be materially adversely affected. Also, please read Cautionary Statement Regarding Forward-Looking Statements.

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USE OF PROCEEDS

Unless otherwise indicated in the applicable prospectus supplement, we intend to use the net proceeds (after the payment of any offering expenses and/or underwriting discounts and commissions) from the sale of the securities offered by this prospectus and any prospectus supplement for our general corporate purposes, which may include repayment of indebtedness, the financing of capital expenditures, future acquisitions and additions to our working capital.

Any specific allocation of the net proceeds of an offering of securities to a specific purpose will be determined at the time of the offering and will be described in a prospectus supplement relating to such offering. The precise amount and timing of the application of these proceeds will depend upon our funding requirements and the availability and cost of other funds.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of consolidated earnings to fixed charges for the periods presented:

	For the nine months ended September 30,	For the year ended December 31,				
	2018	2017	2016	2015	2014	2013
Ratio of Earnings to Fixed Charges	2.5x	2.6x	2.8x	2.7x	2.5x	3.0x

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DESCRIPTION OF DEBT SECURITIES

The Debt Securities will be either our senior debt securities (Senior Debt Securities) or our subordinated debt securities (Subordinated Debt Securities). The Senior Debt Securities and the Subordinated Debt Securities will be issued under separate indentures among us, the Subsidiary Guarantors (as defined below) of such Debt Securities, if any, and a trustee to be determined (the Trustee). Senior Debt Securities will be issued under a Senior Indenture and Subordinated Debt Securities will be issued under a Subordinated Indenture. Together, the Senior Indenture and the Subordinated Indenture are called Indentures.

The Debt Securities may be issued from time to time in one or more series. The particular terms of each series that are offered by a prospectus supplement will be described in the prospectus supplement.

Unless the Debt Securities are guaranteed by our subsidiaries as described below, the rights of Group 1 and our creditors, including holders of the Debt Securities, to participate in the assets of any subsidiary upon the latter s liquidation or reorganization, will be subject to the prior claims of the subsidiary s creditors, except to the extent that we may ourselves be a creditor with recognized claims against such subsidiary.

We have summarized selected provisions of the Indentures below. The summary is not complete. The form of each Indenture has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part, and you should read the Indentures for provisions that may be important to you. Capitalized terms used in the summary have the meanings specified in the Indentures.

General

The Indentures provide that Debt Securities in separate series may be issued thereunder from time to time without limitation as to aggregate principal amount. We may specify a maximum aggregate principal amount for the Debt Securities of any series. We will determine the terms and conditions of the Debt Securities, including the maturity, principal and interest, but those terms must be consistent with the Indenture. The Debt Securities will be our unsecured obligations.

The Subordinated Debt Securities will be subordinated in right of payment to the prior payment in full of all of our Senior Debt (as defined) as described under Subordination of Subordinated Debt Securities and in the prospectus supplement applicable to any Subordinated Debt Securities. If the prospectus supplement so indicates, the Debt Securities will be convertible into our common stock.

If specified in the prospectus supplement respecting a particular series of Debt Securities, one or more subsidiary guarantors, including Group 1 Realty, Inc., identified therein (each a Subsidiary Guarantor), will fully and unconditionally, jointly and severally, guarantee (the Subsidiary Guarantee) that series as described under Subsidiary Guarantee and in the prospectus supplement. Each Subsidiary Guarantee will be an unsecured obligation of the Subsidiary Guarantor. A Subsidiary Guarantee of Subordinated Debt Securities will be subordinated to the Senior Debt of the Subsidiary Guarantor on the same basis as the Subordinated Debt Securities are subordinated to our Senior Debt.

The applicable prospectus supplement will set forth the price or prices at which the Debt Securities to be issued will be offered for sale and will describe the following terms of such Debt Securities:

(1) the title of the Debt Securities;

(2) whether the Debt Securities are Senior Debt Securities or Subordinated Debt Securities and, if Subordinated Debt Securities, the related subordination terms;

(3) whether any Subsidiary Guarantor will provide a Subsidiary Guarantee of the Debt Securities;

(4) any limit on the aggregate principal amount of the Debt Securities;

(5) each date on which the principal of the Debt Securities will be payable;

(6) the interest rate that the Debt Securities will bear and the interest payment dates for the Debt Securities;

(7) each place where payments on the Debt Securities will be payable;

(8) any terms upon which the Debt Securities may be redeemed, in whole or in part, at our option;

(9) any sinking fund or other provisions that would obligate us to redeem or otherwise repurchase the Debt Securities;

(10) the portion of the principal amount, if less than all, of the Debt Securities that will be payable upon declaration of acceleration of the Maturity of the Debt Securities;

(11) whether the Debt Securities are defeasible;

(12) any addition to or change in the Events of Default;

(13) whether the Debt Securities are convertible into our common stock and, if so, the terms and conditions upon which conversion will be effected, including the initial conversion price or conversion rate and any adjustments thereto and the conversion period;

(14) any addition to or change in the covenants in the Indenture applicable to the Debt Securities; and

(15) any other terms of the Debt Securities not inconsistent with the provisions of the Indenture.

Debt Securities, including any Debt Securities that provide for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof (Original Issue Discount Securities), may be sold at a substantial discount below their principal amount. Special U.S. federal income tax considerations applicable to Debt Securities sold at an original issue discount may be described in the applicable prospectus supplement. In addition, special U.S. federal income tax or other considerations applicable to any Debt Securities that are denominated in a currency or currency unit other than U.S. dollars may be described in the applicable prospectus supplement.

Subordination of Subordinated Debt Securities

The indebtedness evidenced by the Subordinated Debt Securities will, to the extent set forth in the Subordinated Indenture with respect to each series of Subordinated Debt Securities, be subordinate in right of payment to the prior payment in full of all of our Senior Debt, including the Senior Debt Securities, and it may also be senior in right of payment to all of our Subordinated Debt. The prospectus supplement relating to any Subordinated Debt Securities will summarize the subordination provisions of the Subordinated Indenture applicable to that series including:

- the applicability and effect of such provisions upon any payment or distribution respecting that series following any liquidation, dissolution or other winding-up, or any assignment for the benefit of creditors or other marshalling of assets or any bankruptcy, insolvency or similar proceedings;

- the applicability and effect of such provisions in the event of specified defaults with respect to any Senior Debt, including the circumstances under which and the periods during which we will be prohibited from making payments on the Subordinated Debt Securities; and

- the definition of Senior Debt applicable to the Subordinated Debt Securities of that series and, if the series is issued on a senior subordinated basis, the definition of Subordinated Debt applicable to that series.

The prospectus supplement will also describe as of a recent date the approximate amount of Senior Debt to which the Subordinated Debt Securities of that series will be subordinated.

The failure to make any payment on any of the Subordinated Debt Securities by reason of the subordination provisions of the Subordinated Indenture described in the prospectus supplement will not be construed as preventing the occurrence of an Event of Default with respect to the Subordinated Debt Securities arising from any such failure to make payment.

The subordination provisions described above will not be applicable to payments in respect of the Subordinated Debt Securities from a defeasance trust established in connection with any legal defeasance or covenant defeasance of the Subordinated Debt Securities as described under Legal Defeasance and Covenant Defeasance.

Subsidiary Guarantee

If specified in the prospectus supplement, one or more of the Subsidiary Guarantors will guarantee the Debt Securities of a series. Unless otherwise indicated in the prospectus supplement, the following provisions will apply to the Subsidiary Guarantee of the Subsidiary Guarantor.

Subject to the limitations described below and in the prospectus supplement, one or more of the Subsidiary Guarantors will jointly and severally, fully and unconditionally guarantee the punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all our payment obligations under the Indentures and the Debt Securities of a series, whether for principal of, premium, if any, or interest on the Debt Securities or otherwise. The Subsidiary Guarantors will also pay all expenses (including reasonable counsel fees and expenses) incurred by the applicable Trustee in enforcing any rights under a Subsidiary Guarantee with respect to a Subsidiary Guarantor.

In the case of Subordinated Debt Securities, a Subsidiary Guarantor s Subsidiary Guarantee will be subordinated in right of payment to the Senior Debt of such Subsidiary Guarantor on the same basis as the Subordinated Debt Securities are subordinated to our Senior Debt. No payment will be made by any Subsidiary Guarantor under its Subsidiary Guarantee during any period in which payments by us on the Subordinated Debt Securities are suspended by the subordination provisions of the Subordinated Indenture.

Each Subsidiary Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be guaranteed by the Subsidiary Guarantor without rendering such Subsidiary Guarantee voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Each Subsidiary Guarantee will be a continuing guarantee and will:

(1) remain in full force and effect until either (a) payment in full of all the applicable Debt Securities (or such Debt Securities are otherwise satisfied and discharged in accordance with the provisions of the applicable Indenture) or (b) released as described in the following paragraph;

(2) be binding upon each Subsidiary Guarantor; and

(3) inure to the benefit of and be enforceable by the applicable Trustee, the Holders and their successors, transferees and assigns.

In the event that (a) a Subsidiary Guarantor ceases to be a Subsidiary, (b) either legal defeasance or covenant defeasance occurs with respect to the series or (c) all or substantially all of the assets or all of the Capital Stock of such Subsidiary Guarantor is sold, including by way of sale, merger, consolidation or otherwise, such Subsidiary Guarantor will be released and discharged of its obligations under its Subsidiary Guarantee without any further action required on the part of the Trustee or any Holder, and no other person acquiring or owning the assets or Capital Stock

of such Subsidiary Guarantor will be required to enter into a Subsidiary Guarantee. In addition, the prospectus supplement may specify additional circumstances under which a Subsidiary Guarantor can be released from its Subsidiary Guarantee.

Form, Exchange and Transfer

The Debt Securities of each series will be issuable only in fully registered form, without coupons, and, unless otherwise specified in the applicable prospectus supplement, only in denominations of $1,000 and integral multiples thereof.

At the option of the Holder, subject to the terms of the applicable Indenture and the limitations applicable to Global Securities, Debt Securities of each series will be exchangeable for other Debt Securities of the same series of any authorized denomination and of a like tenor and aggregate principal amount.

Subject to the terms of the applicable Indenture and the limitations applicable to Global Securities, Debt Securities may be presented for exchange as provided above or for registration of transfer (duly endorsed or with the form of transfer endorsed thereon duly executed) at the office of the Security Registrar or at the office of any transfer agent designated by us for such purpose. No service charge will be made for any registration of transfer or exchange of Debt Securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in that connection. Such transfer or exchange will be effected upon the Security Registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. The Security Registrar and any other transfer agent initially designated by us for any Debt Securities will be named in the applicable prospectus supplement. We may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that we will be required to maintain a transfer agent in each Place of Payment for the Debt Securities of each series.

If the Debt Securities of any series (or of any series and specified tenor) are to be redeemed in part, we will not be required to (1) issue, register the transfer of or exchange any Debt Security of that series (or of that series and specified tenor, as the case may be) during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any such Debt Security that may be selected for redemption and ending at the close of business on the day of such mailing or (2) register the transfer of or exchange any Debt Security so selected for redemption, in whole or in part, except the unredeemed portion of any such Debt Security being redeemed in part.

Global Securities

Some or all of the Debt Securities of any series may be represented, in whole or in part, by one or more Global Securities that will have an aggregate principal amount equal to that of the Debt Securities they represent. Each Global Security will be registered in the name of a Depositary or its nominee identified in the applicable prospectus supplement, will be deposited with such Depositary or nominee or its custodian and will bear a legend regarding the restrictions on exchanges and registration of transfer thereof referred to below and any such other matters as may be provided for pursuant to the applicable Indenture.

Notwithstanding any provision of the Indentures or any Debt Security described in this prospectus, no Global Security may be exchanged in whole or in part for Debt Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Security or any nominee of such Depositary unless:

(1) the Depositary has notified us that it is unwilling or unable to continue as Depositary for such Global Security or has ceased to be qualified to act as such as required by the applicable Indenture, and in either case we fail to appoint a successor Depositary within 90 days;

(2) an Event of Default with respect to the Debt Securities represented by such Global Security has occurred and is continuing and the Trustee has received a written request from the Depositary to issue certificated Debt Securities;

(3) subject to the rules of the Depositary, we shall have elected to terminate the book-entry system through the Depositary; or

(4) other circumstances exist, in addition to or in lieu of those described above, as may be described in the applicable prospectus supplement.

All certificated Debt Securities issued in exchange for a Global Security or any portion thereof will be registered in such names as the Depositary may direct.

As long as the Depositary, or its nominee, is the registered holder of a Global Security, the Depositary or such nominee, as the case may be, will be considered the sole owner and Holder of such Global Security and the Debt Securities that it represents for all purposes under the Debt Securities and the applicable Indenture. Except in the limited circumstances referred to above, owners of beneficial interests in a Global Security will not be entitled to have such Global Security or any Debt Securities that it represents registered in their names, will not receive or be entitled to receive physical delivery of certificated Debt Securities in exchange for those interests and will not be considered to be the owners or Holders of such Global Security or any Debt Securities that is represents for any purpose under the Debt Securities or the applicable Indenture. All payments on a Global Security will be made to the Depositary or its nominee, as the case may be, as the Holder of the security. The laws of some jurisdictions may require that some purchasers of Debt Securities take physical delivery of such Debt Securities in certificated form. These laws may impair the ability to transfer beneficial interests in a Global Security.

Ownership of beneficial interests in a Global Security will be limited to institutions that have accounts with the Depositary or its nominee (participants) and to persons that may hold beneficial interests through participants. In connection with the issuance of any Global Security, the Depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of Debt Securities represented by the Global Security to the accounts of its participants. Ownership of beneficial interests in a Global Security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by the Depositary (with respect to participants interests) or any such participant (with respect to interests of Persons held by such participants on their behalf). Payments, transfers, exchanges and other matters relating to beneficial interests in a Global Security may be subject to various policies and procedures adopted by the Depositary from time to time. None of us, the Subsidiary Guarantors, the Trustees or the agents of us, the Subsidiary Guarantors or the Trustees will have any responsibility or liability for any aspect of the Depositary s or any participant s records relating to, or for payments made on account of, beneficial interests in a Global Security, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Payment and Paying Agents

Unless otherwise indicated in the applicable prospectus supplement, payment of interest on a Debt Security on any Interest Payment Date will be made to the Person in whose name such Debt Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Unless otherwise indicated in the applicable prospectus supplement, principal of and any premium and interest on the Debt Securities of a particular series will be payable at the office of such Paying Agent or Paying Agents as we may designate for such purpose from time to time, except that at our option payment of any interest on Debt Securities in certificated form may be made by check mailed to the address of the Person entitled thereto as such address appears in the Security Register. Unless otherwise indicated in the applicable prospectus supplement, the corporate trust office of the Trustee under the Senior Indenture in the city of New York will be designated as sole Paying Agent for payments with respect to Senior Debt Securities of each series, and the corporate trust office of the Trustee under the

Subordinated Indenture in the city of New York will be designated as the sole Paying Agent for payment with respect to Subordinated Debt Securities of each series. Any other Paying Agents initially designated by us for the Debt Securities of a particular series will be named in the

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applicable prospectus supplement. We may at any time designate additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that we will be required to maintain a Paying Agent in each Place of Payment for the Debt Securities of a particular series.

All money paid by us to a Paying Agent for the payment of the principal of or any premium or interest on any Debt Security which remains unclaimed at the end of two years after such principal, premium or interest has become due and payable will be repaid to us, and the Holder of such Debt Security thereafter may look only to us for payment.

Consolidation, Merger and Sale of Assets

Unless otherwise specified in the prospectus supplement, we may not consolidate with or merge into, or transfer, lease or otherwise dispose of all or substantially all of our assets to, any Person (a successor Person), and may not permit any Person to consolidate with or merge into us, unless:

(1) the successor Person (if not us) is a corporation, partnership, trust or other entity organized and validly existing under the laws of any domestic jurisdiction and assumes our obligations on the Debt Securities and under the Indentures;

(2) immediately before and after giving pro forma effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, has occurred and is continuing; and

(3) several other conditions, including any additional conditions with respect to any particular Debt Securities specified in the applicable prospectus supplement, are met.

The successor Person (if not us) will be substituted for us under the applicable Indenture with the same effect as if it had been an original party to such Indenture, and, except in the case of a lease, we will be relieved from any further obligations under such Indenture and the Debt Securities.

Events of Default

Unless otherwise specified in the prospectus supplement, each of the following will constitute an Event of Default under the applicable Indenture with respect to Debt Securities of any series:

(1) failure to pay principal of or any premium on any Debt Security of that series when due, whether or not, in the case of Subordinated Debt Securities, such payment is prohibited by the subordination provisions of the Subordinated Indenture;

(2) failure to pay any interest on any Debt Securities of that series when due, continued for 30 days, whether or not, in the case of Subordinated Debt Securities, such payment is prohibited by the subordination provisions of the Subordinated Indenture;

(3) failure to deposit any sinking fund payment, when due, in respect of any Debt Security of that series, whether or not, in the case of Subordinated Debt Securities, such deposit is prohibited by the subordination provisions of the Subordinated Indenture;

(4) failure to perform or comply with the provisions described under Consolidation, Merger and Sale of Assets ;

(5) failure to perform any of our other covenants in such Indenture (other than a covenant included in such Indenture solely for the benefit of a series other than that series), continued for 60 days after written notice has been given by the applicable Trustee, or the Holders of at least 25% in principal amount of the Outstanding Debt Securities of that series, as provided in such Indenture;

(6) any Debt of ourselves, any Significant Subsidiary or, if a Subsidiary Guarantor has guaranteed the series, such Subsidiary Guarantor, is not paid within any applicable grace period after final maturity or is accelerated by its holders because of a default and the total amount of such Debt unpaid or accelerated exceeds $20.0 million;

(7) any judgment or decree for the payment of money in excess of $20.0 million is entered against us, any Significant Subsidiary or, if a Subsidiary Guarantor has guaranteed the series, such Subsidiary Guarantor, remains outstanding for a period of 60 consecutive days following entry of such judgment and is not discharged, waived or stayed;

(8) certain events of bankruptcy, insolvency or reorganization affecting us, any Significant Subsidiary or, if a Subsidiary Guarantor has guaranteed the series, such Subsidiary Guarantor; and

(9) if any Subsidiary Guarantor has guaranteed such series, the Subsidiary Guarantee of any such Subsidiary Guarantor is held by a final non-appealable order or judgment of a court of competent jurisdiction to be unenforceable or invalid or ceases for any reason to be in full force and effect (other than in accordance with the terms of the applicable Indenture) or any Subsidiary Guarantor or any Person acting on behalf of any Subsidiary Guarantor denies or disaffirms such Subsidiary Guarantor s obligations under its Subsidiary Guarantee (other than by reason of a release of such Subsidiary Guarantor from its Subsidiary Guarantee in accordance with the terms of the applicable Indenture).

If an Event of Default (other than an Event of Default with respect to Group 1 Automotive, Inc. described in clause (8) above) with respect to the Debt Securities of any series at the time Outstanding occurs and is continuing, either the applicable Trustee or the Holders of at least 25% in principal amount of the Outstanding Debt Securities of that series by notice as provided in the Indenture may declare the principal amount of the Debt Securities of that series (or, in the case of any Debt Security that is an Original Issue Discount Security, such portion of the principal amount of such Debt Security as may be specified in the terms of such Debt Security) to be due and payable immediately, together with any accrued and unpaid interest thereon. If an Event of Default with respect to Group 1 Automotive, Inc. described in clause (8) above with respect to the Debt Securities of any series at the time Outstanding occurs, the principal amount of all the Debt Securities of that series (or, in the case of any such Original Issue Discount Security, such specified amount) will automatically, and without any action by the applicable Trustee or any Holder, become immediately due and payable, together with any accrued and unpaid interest thereon. After any such acceleration and its consequences, but before a judgment or decree based on acceleration, the Holders of a majority in principal amount of the Outstanding Debt Securities of that series may, under certain circumstances, rescind and annul such acceleration if all Events of Default with respect to that series, other than the non-payment of accelerated principal (or other specified amount), have been cured or waived as provided in the applicable Indenture. For information as to waiver of defaults, please read Modification and Waiver below.

Subject to the provisions of the Indentures relating to the duties of the Trustees in case an Event of Default has occurred and is continuing, no Trustee will be under any obligation to exercise any of its rights or powers under the applicable Indenture at the request or direction of any of the Holders, unless such Holders have offered to such Trustee reasonable security or indemnity. Subject to such provisions for the indemnification of the Trustees, the Holders of a majority in principal amount of the Outstanding Debt Securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Debt Securities of that series.

No Holder of a Debt Security of any series will have any right to institute any proceeding with respect to the applicable Indenture, or for the appointment of a receiver or a trustee, or for any other remedy thereunder, unless:

(1) such Holder has previously given to the Trustee under the applicable Indenture written notice of a continuing Event of Default with respect to the Debt Securities of that series;

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(2) the Holders of at least 25% in principal amount of the Outstanding Debt Securities of that series have made written request, and such Holder or Holders have offered reasonable security or indemnity, to the Trustee to institute such proceeding as trustee; and

(3) the Trustee has failed to institute such proceeding, and has not received from the Holders of a majority in principal amount of the Outstanding Debt Securities of that series a direction inconsistent with such request, within 60 days after such notice, request and offer.

However, such limitations do not apply to a suit instituted by a Holder of a Debt Security for the enforcement of payment of the principal of or any premium or interest on such Debt Security on or after the applicable due date specified in such Debt Security or, if applicable, to convert such Debt Security.

We will be required to furnish to each Trustee annually a statement by certain of our officers as to whether or not we, to their knowledge, are in default in the performance or observance of any of the terms, provisions and conditions of the applicable Indenture and, if so, specifying all such known defaults.

Modification and Waiver

We may modify or amend an Indenture without the consent of any holders of the Debt Securities in certain circumstances, including:

(1) to evidence the succession under the Indenture of another Person to us or any Subsidiary Guarantor and to provide for its assumption of our or such Subsidiary Guarantor s obligations to holders of Debt Securities;

(2) to make any changes that would add any additional covenants of us or the Subsidiary Guarantors for the benefit of the holders of Debt Securities or that do not adversely affect the rights under the Indenture of the Holders of Debt Securities in any material respect;

(3) to add any additional Events of Default;

(4) to provide for uncertificated notes in addition to or in place of certificated notes;

(5) to secure the Debt Securities;

(6) to establish the form or terms of any series of Debt Securities;

(7) to evidence and provide for the acceptance of appointment under the Indenture of a successor Trustee;

(8) to cure any ambiguity, defect or inconsistency;

(9) to add Subsidiary Guarantors; or

(10) in the case of any Subordinated Debt Security, to make any change in the subordination provisions that limits or terminates the benefits applicable to any Holder of Senior Debt.

Other modifications and amendments of an Indenture may be made by us, the Subsidiary Guarantors, if applicable, and the applicable Trustee with the consent of the Holders of not less than a majority in principal amount of the Outstanding Debt Securities of each series affected by such modification or amendment; provided, however, that no

such modification or amendment may, without the consent of the Holder of each Outstanding Debt Security affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Debt Security;

(2) reduce the principal amount of, or any premium or interest on, any Debt Security;

(3) reduce the amount of principal of an Original Issue Discount Security or any other Debt Security payable upon acceleration of the Maturity thereof;

(4) change the place or currency of payment of principal of, or any premium or interest on, any Debt Security;

(5) impair the right to institute suit for the enforcement of any payment due on or any conversion right with respect to any Debt Security;

(6) modify the subordination provisions in the case of Subordinated Debt Securities, or modify any conversion provisions, in either case in a manner adverse to the Holders of the Subordinated Debt Securities;

(7) except as provided in the applicable Indenture, release the Subsidiary Guarantee of a Subsidiary Guarantor;

(8) reduce the percentage in principal amount of Outstanding Debt Securities of any series, the consent of whose Holders is required for modification or amendment of the Indenture;

(9) reduce the percentage in principal amount of Outstanding Debt Securities of any series necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(10) modify such provisions with respect to modification, amendment or waiver; or

(11) following the making of an offer to purchase Debt Securities from any Holder that has been made pursuant to a covenant in such Indenture, modify such covenant in a manner adverse to such Holder.

The Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series may waive compliance by us with certain restrictive provisions of the applicable Indenture. The Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series may waive any past default under the applicable Indenture, except a default in the payment of principal, premium or interest and certain covenants and provisions of the Indenture which cannot be amended without the consent of the Holder of each Outstanding Debt Security of such series.

Each of the Indentures provides that in determining whether the Holders of the requisite principal amount of the Outstanding Debt Securities have given or taken any direction, notice, consent, waiver or other action under such Indenture as of any date:

(1) the principal amount of an Original Issue Discount Security that will be deemed to be Outstanding will be the amount of the principal that would be due and payable as of such date upon acceleration of maturity to such date;

(2) if, as of such date, the principal amount payable at the Stated Maturity of a Debt Security is not determinable (for example, because it is based on an index), the principal amount of such Debt Security deemed to be Outstanding as of such date will be an amount determined in the manner prescribed for such Debt Security;

(3) the principal amount of a Debt Security denominated in one or more foreign currencies or currency units that will be deemed to be Outstanding will be the United States-dollar equivalent, determined as of such date in the manner prescribed for such Debt Security, of the principal amount of such Debt Security (or, in the case of a Debt Security described in clause (1) or (2) above, of the amount described in such clause); and

(4) certain Debt Securities, including those owned by us, any Subsidiary Guarantor or any of our other Affiliates, will not be deemed to be Outstanding.

Except in certain limited circumstances, we will be entitled to set any day as a record date for the purpose of determining the Holders of Outstanding Debt Securities of any series entitled to give or take any direction, notice, consent, waiver or other action under the applicable Indenture, in the manner and subject to the limitations provided in the Indenture. In certain limited circumstances, the Trustee will be entitled to set a record

date for action by Holders. If a record date is set for any action to be taken by Holders of a particular series, only persons who are Holders of Outstanding Debt Securities of that series on the record date may take such action. To be effective, such action must be taken by Holders of the requisite principal amount of such Debt Securities within a specified period following the record date. For any particular record date, this period will be 180 days or such other period as may be specified by us (or the Trustee, if it set the record date), and may be shortened or lengthened (but not beyond 180 days) from time to time.

Satisfaction and Discharge

Each Indenture will be discharged and will cease to be of further effect as to all outstanding Debt Securities of any series issued thereunder, when:

either:

(1) (a) all outstanding Debt Securities of that series that have been authenticated (except lost, stolen or destroyed Debt Securities that have been replaced or paid and Debt Securities for whose payment money has theretofore been deposited in trust and thereafter repaid to us) have been delivered to the Trustee for cancellation; or

(b) all outstanding Debt Securities of that series that have been not delivered to the Trustee for cancellation have become due and payable or will become due and payable at their Stated Maturity within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee and in any case we have irrevocably deposited with the Trustee as trust funds money in an amount sufficient, without consideration of any reinvestment of interest, to pay the entire indebtedness of such Debt Securities not delivered to the Trustee for cancellation, for principal, premium, if any, and accrued interest to the Stated Maturity or redemption date;

(2) we have paid or caused to be paid all other sums payable by us under the Indenture with respect to the Debt Securities of that series; and

(3) we have delivered an Officers Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge of the Indenture with respect to the Debt Securities of that series have been satisfied.

Legal Defeasance and Covenant Defeasance

To the extent indicated in the applicable prospectus supplement, we may elect, at our option at any time, to have our obligations discharged under provisions relating to defeasance and discharge of indebtedness, which we call legal defeasance, or relating to defeasance of certain restrictive covenants applied to the Debt Securities of any series, or to any specified part of a series, which we call covenant defeasance.

Legal Defeasance

The Indentures provide that, upon our exercise of our option (if any) to have the legal defeasance provisions applied to any series of Debt Securities, we and, if applicable, each Subsidiary Guarantor will be discharged from all our obligations, and, if such Debt Securities are Subordinated Debt Securities, the provisions of the Subordinated Indenture relating to subordination will cease to be effective, with respect to such Debt Securities (except for certain obligations to convert, exchange or register the transfer of Debt Securities, to replace stolen, lost or mutilated Debt Securities, to maintain paying agencies and to hold moneys for payment in trust) upon the deposit in trust for the benefit of the Holders of such Debt Securities of money or U.S. Government Obligations, or both, which, through the

payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient (in the opinion of a nationally recognized firm of independent public accountants) to pay the principal of and any premium and interest on such Debt Securities on the respective

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Stated Maturities in accordance with the terms of the applicable Indenture and such Debt Securities. Such defeasance or discharge may occur only if, among other things:

(1) we have delivered to the applicable Trustee an Opinion of Counsel to the effect that we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that Holders of such Debt Securities will not recognize gain or loss for federal income tax purposes as a result of such deposit and legal defeasance and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and legal defeasance were not to occur;

(2) no Event of Default or event that with the passing of time or the giving of notice, or both, shall constitute an Event of Default shall have occurred and be continuing at the time of such deposit or, with respect to any Event of Default described in clause (8) under Events of Default, at any time until 121 days after such deposit;

(3) such deposit and legal defeasance will not result in a breach or violation of, or constitute a default under, any agreement or instrument (other than the applicable Indenture) to which we are a party or by which we are bound;

(4) in the case of Subordinated Debt Securities, at the time of such deposit, no default in the payment of all or a portion of principal of (or premium, if any) or interest on any Senior Debt shall have occurred and be continuing, no Event of Default shall have resulted in the acceleration of any Senior Debt and no other Event of Default with respect to any Senior Debt shall have occurred and be continuing permitting after notice or the lapse of time, or both, the acceleration thereof; and

(5) we have delivered to the Trustee an Opinion of Counsel to the effect that such deposit shall not cause the Trustee or the trust so created to be subject to the Investment Company Act of 1940.

Covenant Defeasance

The Indentures provide that, upon our exercise of our option (if any) to have the covenant defeasance provisions applied to any Debt Securities, we may fail to comply with certain restrictive covenants (but not with respect to conversion, if applicable), including those that may be described in the applicable prospectus supplement, and the occurrence of certain Events of Default, which are described above in clause (5) (with respect to such restrictive covenants) and clauses (6), (7) and (9) under Events of Default and any that may be described in the applicable prospectus supplement, will not be deemed to either be or result in an Event of Default and, if such Debt Securities are Subordinated Debt Securities, the provisions of the Subordinated Indenture relating to subordination will cease to be effective, in each case with respect to such Debt Securities. In order to exercise such option, we must deposit, in trust for the benefit of the Holders of such Debt Securities, money or U.S. Government Obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient (in the opinion of a nationally recognized firm of independent public accountants) to pay the principal of and any premium and interest on such Debt Securities on the respective Stated Maturities in accordance with the terms of the applicable Indenture and such Debt Securities. Such covenant defeasance may occur only if we have delivered to the applicable Trustee an Opinion of Counsel to the effect that Holders of such Debt Securities will not recognize gain or loss for federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and covenant defeasance were not to occur, and the requirements set forth in clauses (2), (3), (4) and (5) above are satisfied. If we exercise this option with respect to any series of Debt Securities and such Debt Securities were declared due and payable because of the occurrence of any Event of Default, the amount of money and U.S. Government Obligations so deposited in trust would be sufficient to pay amounts due on such Debt Securities at

the time of their respective Stated Maturities but may not be sufficient to pay amounts due on such Debt Securities upon any acceleration resulting from such Event of Default. In such case, we would remain liable for such payments.

If we exercise either our legal defeasance or covenant defeasance option, any Subsidiary Guarantee will terminate.

Notices

Notices to Holders of Debt Securities will be given by mail to the addresses of such Holders as they may appear in the Security Register.

Title

We, the Subsidiary Guarantors, the Trustees and any agent of us, the Subsidiary Guarantors or a Trustee may treat the Person in whose name a Debt Security is registered as the absolute owner of the Debt Security (whether or not such Debt Security may be overdue) for the purpose of making payment and for all other purposes.

Governing Law

The Indentures and the Debt Securities will be governed by, and construed in accordance with, the law of the State of New York.

The Trustee

We will enter into the Indentures with a Trustee that is qualified to act under the Trust Indenture Act of 1939, as amended, and with any other Trustees chosen by us and appointed in a supplemental indenture for a particular series of Debt Securities. We may maintain a banking relationship in the ordinary course of business with our Trustee and one or more of its affiliates.

Resignation or Removal of Trustee

If the Trustee has or acquires a conflicting interest within the meaning of the Trust Indenture Act, the Trustee must either eliminate its conflicting interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and the applicable Indenture. Any resignation will require the appointment of a successor Trustee under the applicable Indenture in accordance with the terms and conditions of such Indenture.

The Trustee may resign or be removed by us with respect to one or more series of Debt Securities and a successor Trustee may be appointed to act with respect to any such series. The holders of a majority in aggregate principal amount of the Debt Securities of any series may remove the Trustee with respect to the Debt Securities of such series.

Limitations on Trustee if It Is Our Creditor

Each Indenture will contain certain limitations on the right of the Trustee, in the event that it becomes our creditor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise.

Certificates and Opinions to Be Furnished to Trustee

Each Indenture will provide that, in addition to other certificates or opinions that may be specifically required by other provisions of an Indenture, every application by us for action by the Trustee must be accompanied by an Officers Certificate and an Opinion of Counsel stating that, in the opinion of the signers, all conditions precedent to such action have been complied with by us.

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DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock is 51,000,000 shares. These shares consist of: (i) 1,000,000 shares of preferred stock, par value $0.01 per share, none of which are outstanding; and (ii) 50,000,000 shares of common stock, par value $0.01 per share, of which 19,174,320 shares were outstanding as of October 29, 2018.

The following description does not purport to be complete and is qualified in its entirety by reference to our certificate of incorporation, our bylaws and to applicable law.

Common Stock

This section describes the general terms of our common stock. For more detailed information, you should refer to our certificate of incorporation and our bylaws, copies of which have been filed with the SEC.

Listing

Our outstanding shares of common stock are listed on the NYSE under the symbol GPI. Any additional common stock we issue also will be listed on the NYSE.

Dividends

Subject to the rights of any then outstanding shares of preferred stock that we may issue, the holders of common stock may receive such dividends as our board of directors may declare in its discretion out of legally available funds.

Fully Paid

All outstanding shares of common stock are fully paid and non-assessable. Any additional common stock we may issue will also be fully paid and non-assessable.

Voting Rights

Subject to any special voting rights of any series of preferred stock that we may issue in the future, the holders of common stock may vote one vote for each share held in the election of directors and on all other matters voted upon by our stockholders. Under our bylaws, unless otherwise required by Delaware law, action by our stockholders is taken by the affirmative vote of the holders of a majority of the votes cast, except for elections, which are determined by a plurality of the votes cast, at a meeting of stockholders at which a quorum is present. Holders of common stock may not cumulate their votes in the elections of directors.

Other Rights

We will notify common stockholders of any stockholders meetings according to applicable law. If we liquidate, dissolve or wind-up our business, either voluntarily or not, holders of our common stock will share equally in our net assets upon liquidation after payment or provision for all liabilities and any preferential liquidation rights of any preferred stock then outstanding. Holders of our common stock have no preemptive rights to purchase shares of our common stock. Shares of common stock are not subject to any redemption or sinking fund provisions and are not convertible into any of our other securities.

Preferred Stock

The following description of the terms of our preferred stock sets forth certain general terms and provisions of our authorized preferred stock. If we offer preferred stock, a description will be filed with the SEC and the

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specific designations, rights and preferences will be described in the prospectus supplement, including the following terms:

- the series, the number of shares offered and the liquidation value of the preferred stock;
- the price at which the preferred stock will be issued;
- the dividend rate, the dates on which the dividends will be payable and other terms relating to the payment of dividends on the preferred stock;
- the liquidation preference of the preferred stock;
- the voting rights of the preferred stock;
- whether the preferred stock is redeemable or subject to a sinking fund, and the terms of any such redemption or sinking fund;
- whether the preferred stock is convertible or exchangeable for any other securities, and the terms of any such conversion; and
- any additional rights, preferences, qualifications, limitations and restrictions of the preferred stock.

The description of the terms of the preferred stock to be set forth in an applicable prospectus supplement will not be complete and will be subject to and qualified in its entirety by reference to the statement of resolution relating to the applicable series of preferred stock. The registration statement of which this prospectus forms a part will include the statement of resolution as an exhibit or incorporate it by reference.

Our board of directors can, without approval of our stockholders, issue one or more series of preferred stock. Subject to the provisions of our certificate of incorporation and limitations prescribed by law, our board of directors may adopt resolutions to issue the shares of preferred stock, to fix the number of shares, and to change the number of shares constituting any series and establish the voting powers, designations, preferences and relative participating, optional or other special rights, qualifications, limitations or restrictions thereof, including dividend rights (including whether dividends are cumulative), dividend rates, terms of redemption (including sinking fund provisions), redemption prices, conversion rights and liquidation preferences of the shares constituting any series of preferred stock, in each case without any further action or vote by our stockholders. Under certain circumstances, preferred stock could restrict dividend payments to holders of our common stock.

Undesignated or blank check preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise, and to thereby protect the continuity of our management. The issuance of shares of preferred stock may adversely affect the

rights of the holders of our common stock or any existing preferred stock. For example, any preferred stock issued may rank prior to our common stock or any existing preferred stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock or any existing preferred stock. As a result, the issuance of shares of preferred stock may discourage bids for our common stock or may otherwise adversely affect the market price of our common stock or any existing preferred stock.

The preferred stock will, when issued, be fully paid and non-assessable.

Anti-Takeover Provisions

Certain provisions in our certificate of incorporation and our bylaws, which are summarized in the following paragraphs, and applicable provisions of the Delaware General Corporation Law may encourage persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with the board of directors rather than pursue non-negotiated takeover attempts. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and in the policies furnished by

them and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are intended to discourage certain tactics that may be used in proxy fights. These provisions, however, could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts.

Limitations on Removal of Directors

Stockholders may remove a director only by the affirmative vote of the holders of a majority of the voting power of the then outstanding capital stock of Group 1 entitled to vote generally in the election of directors, voting together as a single class. Our board of directors, not the stockholders, has the right to appoint persons to fill vacancies on the board of directors.

No Stockholder Action by Unanimous Consent

Under the Delaware General Corporation Law, unless a company s certificate of incorporation specifies otherwise, any action that could be taken by stockholders at an annual or special meeting may be taken, instead, without a meeting and without notice to or a vote of other stockholders if a consent in writing is signed by holders of outstanding stock having voting power that would be sufficient to take such action at a meeting at which all outstanding shares were present and voted. Our certificate of incorporation and bylaws provide that any action required or permitted to be taken by stockholders must be taken at an annual or special meeting of such stockholders and may not be taken by any consent in writing of such stockholders.

Blank Check Preferred Stock

Our certificate of incorporation authorizes the issuance of blank check preferred stock from time to time in one or more series. The board of directors can set the powers, voting powers, designations, preferences and relative, participating, optional or other rights, if any, of each series of preferred stock and the qualifications, limitations or restrictions, if any, of such preferences and/or rights relating to such preferred stock and could issue such stock in either private or public transactions. In some circumstances, the blank check preferred stock could be issued and have the effect of preventing a merger, tender offer or other takeover attempt that the board of directors opposes.

Business Combinations under Delaware Law

We are a Delaware corporation and are subject to Section 203 of the Delaware General Corporation Law. Section 203 prevents a person who, together with any affiliates or associates of such person, beneficially owns, directly or indirectly, 15% or more of our outstanding voting stock (an interested stockholder) from engaging in certain business combinations with us for three years following the date that the interested stockholder became an interested stockholder. These restrictions do not apply if:

- before the person became an interested stockholder, our board of directors approved either the business combination or the transaction in which the interested stockholder became an interested stockholder;

- upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owns at least 85% of our outstanding voting stock at the time the transaction commenced, excluding stock held by directors who are also officers of the corporation and stock

held by certain employee stock plans; or

at or subsequent to such time the interested stockholder became an interested stockholder, the business combination is approved by our board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines a business combination to include (i) any merger or consolidation involving the corporation and an interested stockholder; (ii) any sale, lease, transfer, pledge or other disposition involving an interested stockholder of 10% or more of the assets of the corporation; (iii) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to an interested stockholder; (iv) any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (v) the receipt by an interested stockholder of any loans, guarantees, pledges or other financial benefits provided by or through the corporation.

Special Certificate of Incorporation and Bylaw Provisions

Among other things, our certificate of incorporation and bylaws:

- establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. Our bylaws specify the requirements as to form, content and disclosure requirements of all stockholders notices. These requirements may preclude stockholders from bringing matters before the stockholders at an annual or special meeting;

- establish requirements for director nominees to deliver (i) a written questionnaire regarding the background and qualifications of such person and the background of any other person or entity on whose behalf the nomination is being made; (ii) a written representation and agreement that such person is not and will not become a party to any voting commitment that has not been disclosed to the company; and (iii) a written director agreement;

- provide our board of directors the ability to authorize undesignated preferred stock. This ability makes it possible for our board of directors to issue, without stockholder approval, preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of our company;

- provide that the authorized number of directors may be changed only by resolution of the board of directors. Our certificate of incorporation and bylaws provide that the number of directors shall not be fewer than three. Each director shall hold office for the term for which that individual is elected and thereafter until that individual s successor is elected or until such individual s earlier death, resignation, retirement, disqualification or removal;

- provide that all vacancies, including newly created directorships, may, except as otherwise required by law or, if applicable, the rights of holders of a series of preferred stock, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum, or by a sole remaining director;

provide that special meetings of the stockholders for any purpose or purposes may be called only upon a request in writing, stating the purpose or purposes thereof, delivered to the chairman of the board, the president or the secretary, signed by a majority of the directors, or by resolution of the board of directors. No business other than that stated in the notice shall be transacted at any special meeting; and

provide that our bylaws may be amended by the board of directors, but such authority shall not limit the ability of the stockholders to adopt, amend or repeal bylaws. However, no amendment or repeal of any bylaw relating to the number, term and classification of directors, the procedure for filling director vacancies and the procedure for removal of directors shall be effective without the affirmative vote of (i) a majority of the members present at a regular or special meeting of our board of directors or (ii) the

holders of outstanding stock representing 80% or more of the stock issued and outstanding, voting together as a single class.

The foregoing provisions of our certificate of incorporation and bylaws, together with the provisions of Section 203 of the Delaware General Corporation Law, could have the effect of delaying, deferring or preventing a change in control or the removal of existing management, of deterring potential acquirors from making an offer to our stockholders and of limiting any opportunity to realize premiums over prevailing market prices for our common stock in connection therewith. This could be the case notwithstanding that a majority of our stockholders might benefit from such a change in control or offer.

Limitation of Liability of Officers and Directors

Delaware law authorizes corporations to limit or eliminate the personal liability of officers and directors to corporations and their stockholders for monetary damages for breach of officers and directors fiduciary duty of care. The duty of care requires that, when acting on behalf of the corporation, officers and directors must exercise an informed business judgment based on all material information reasonably available to them. Absent the limitations authorized by Delaware law, officers and directors are accountable to corporations and their stockholders for monetary damages for conduct constituting gross negligence in the exercise of their duty of care. Delaware law enables corporations to limit available relief to equitable remedies such as injunction or rescission.

Our certificate of incorporation limits the liability of our officers and directors to us and our stockholders to the fullest extent permitted by Delaware law. Specifically, our officers and directors will not be personally liable for monetary damages for breach of an officer s or director s fiduciary duty in such capacity, except for liability:

- for any breach of the officer s or director s duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- for any transaction from which the officer or director derived an improper personal benefit.

The inclusion of this provision in our certificate of incorporation may reduce the likelihood of derivative litigation against our officers and directors, and may discourage or deter stockholders or management from bringing a lawsuit against our officers and directors for breach of their duty of care, even though such an action, if successful, might have otherwise benefitted us and our stockholders. Our certificate of incorporation provides indemnification to our officers and directors and certain other persons with respect to certain matters to the maximum extent allowed by Delaware law as it exists now or may hereafter be amended. These provisions do not alter the liability of officers and directors under federal securities laws and do not affect the right to sue (nor to recover monetary damages) under federal securities laws for violations thereof.

We entered into an indemnification agreement with each of our directors and certain of our executive officers. The indemnification agreements provide that we indemnify each of our directors and executive officers to the fullest extent permitted by Delaware General Corporation Law. This means, among other things, that we must indemnify the

indemnitee against expenses (including attorneys fees), judgments, fines and amounts paid in settlement that are actually and reasonably incurred in an action, suit or proceeding by reason of the fact that the person is or was a director, officer, employee or agent of us or is or was serving at the request of us as a director, officer, employee or agent of another corporation or other entity if the indemnitee acted in good faith and, in the case of conduct in his or her official capacity, in a manner he or she reasonably believed to be in the best interests of Group 1 and, in all other cases, not opposed to the best interests of Group 1. Also, the indemnification agreements require that we advance expenses in defending such an action provided that the indemnitee undertakes to repay the amounts if the person ultimately is determined not to be entitled to indemnification.

In general, the disinterested directors on the board of directors or a committee of the board of directors designated by majority vote of the board of directors have the authority to determine an indemnitee s right to indemnification. However, such determination may also be made by (i) if there are no such directors, or if such directors so direct, independent legal counsel in a written opinion or (ii) the stockholders.

All agreements and obligations of Group 1 contained in the indemnification agreements with our directors and certain of our executive officers (i) continue during the period the indemnitee is a director or officer of Group 1 (or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise) and (ii) continue thereafter so long as the indemnitee is subject to any possible proceeding for which the indemnitee is entitled to indemnification (notwithstanding the fact that the indemnitee has ceased to serve Group 1).

Transfer Agent and Registrar

Our transfer agent and registrar of the common stock is American Stock Transfer & Trust Company LLC.

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DESCRIPTION OF WARRANTS

General Description of Warrants

We may issue warrants for the purchase of debt securities, preferred stock or common stock. Warrants may be issued independently or together with other securities and may be attached to or separate from any offered securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a bank or trust company, as warrant agent. The warrant agent will act solely as our agent in connection with the warrants and will not have any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. A copy of the warrant agreement will be filed with the SEC in connection with the offering of warrants.

Debt Warrants

The prospectus supplement relating to a particular issue of warrants to purchase debt securities will describe the terms of those warrants, including the following:

- the title of the warrants;
- the offering price for the warrants, if any;
- the aggregate number of the warrants;
- the designation and terms of the debt securities that may be purchased upon exercise of the warrants;
- if applicable, the designation and terms of the debt securities that the warrants are issued with and the number of warrants issued with each debt security;
- if applicable, the date from and after which the warrants and any debt securities issued with them will be separately transferable;
- the principal amount of debt securities that may be purchased upon exercise of a warrant and the price at which the debt securities may be purchased upon exercise;
- the dates on which the right to exercise the warrants will commence and expire;
- if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

- whether the warrants represented by the warrant certificates or the debt securities that may be issued upon exercise of the warrants will be issued in registered or bearer form;
- information relating to book-entry procedures, if any;
- the currency or currency units in which the offering price, if any, and the exercise price are payable;
- if applicable, a discussion of material U.S. federal income tax considerations;
- anti-dilution provisions of the warrants, if any;
- redemption or call provisions, if any, applicable to the warrants;
- any additional terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants; and
- any other information we think is important about the warrants.

Stock Warrants

The prospectus supplement relating to a particular issue of warrants to purchase common stock or preferred stock will describe the terms of the common stock warrants and preferred stock warrants, including the following:

- the title of the warrants;

- the offering price for the warrants, if any;
- the aggregate number of the warrants;
- the designation and terms of the common stock or preferred stock that maybe purchased upon exercise of the warrants;
- if applicable, the designation and terms of the securities that the warrants are issued with and the number of warrants issued with each security;
- if applicable, the date from and after which the warrants and any securities issued with the warrants will be separately transferable;
- the number of shares of common stock or preferred stock that may be purchased upon exercise of a warrant and the price at which the shares may be purchased upon exercise;
- the dates on which the right to exercise the warrants commence and expire;
- if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;
- the currency or currency units in which the offering price, if any, and the exercise price are payable;
- if applicable, a discussion of material U.S. federal income tax considerations;
- anti-dilution provisions of the warrants, if any;
- redemption or call provisions, if any, applicable to the warrants;
- any additional terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants; and
- any other information we think is important about the warrants.

Exercise of Warrants

Each warrant will entitle the holder of the warrant to purchase at the exercise price set forth in the applicable prospectus supplement the principal amount of debt securities or shares of preferred stock or common stock being offered. Holders may exercise warrants at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants are void. Holders may exercise warrants as set forth in the prospectus supplement relating to the warrants being offered.

Until you exercise your warrants to purchase our debt securities, preferred stock or common stock, you will not have any rights as a holder of our debt securities, preferred stock or common stock, as the case may be, by virtue of your ownership of warrants.

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DESCRIPTION OF RIGHTS

We may issue rights to purchase debt securities, preferred stock, common stock or other securities. These rights may be issued independently or together with any other security offered hereby and may or may not be transferable by the stockholder receiving the rights in such offering. In connection with any offering of such rights, we may enter into a standby arrangement with one or more underwriters or other purchasers pursuant to which the underwriters or other purchasers may be required to purchase any securities remaining unsubscribed for after such offering.

Each series of rights will be issued under a separate rights agreement that we will enter into with a bank or trust company, as rights agent, all as set forth in the applicable prospectus supplement. The rights agent will act solely as our agent in connection with the certificates relating to the rights and will not assume any obligation or relationship of agency or trust with any holders of rights certificates or beneficial owners of rights. We will file the rights agreement and the rights certificates relating to each series of rights with the SEC and incorporate them by reference as an exhibit to the registration statement of which this prospectus is a part on or before the time we issue a series of rights.

The applicable prospectus supplement will describe the specific terms of any offering of rights for which this prospectus is being delivered, including the following:

- the date of determining the stockholders entitled to the rights distribution;
- the number of rights issued or to be issued to each stockholder;
- the exercise price payable for each share of debt securities, preferred stock, common stock or other securities upon the exercise of the rights;
- the number and terms of the shares of debt securities, preferred stock, common stock or other securities which may be purchased per each right;
- the extent to which the rights are transferable;
- the date on which the holder s ability to exercise the rights shall commence, and the date on which the rights shall expire;
- the extent to which the rights may include an over-subscription privilege with respect to unsubscribed securities;
- if applicable, the material terms of any standby underwriting or purchase arrangement entered into by us in connection with the offering of such rights; and

- any other terms of the rights, including the terms, procedures, conditions and limitations relating to the exchange and exercise of the rights.

The description in the applicable prospectus supplement of any rights that we may offer will not necessarily be complete and will be qualified in its entirety by reference to the applicable rights certificate, which will be filed with the SEC.

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DESCRIPTION OF DEPOSITARY SHARES

General

We may offer fractional shares of preferred stock, rather than full shares of preferred stock. If we do so, we may issue receipts for depositary shares that each represent a fraction of a share of a particular series of preferred stock. The prospectus supplement will indicate that fraction. The shares of preferred stock represented by depositary shares will be deposited under a depositary agreement between us and a bank depositary. The phrase bank depositary means a bank or trust company that meets certain requirements and is selected by us. Each owner of a depositary share will be entitled to all the rights and preferences of the preferred stock represented by the depositary share. The depositary shares will be evidenced by depositary receipts issued pursuant to the depositary agreement. Depositary receipts will be distributed to those persons purchasing the fractional shares of preferred stock in accordance with the terms of the offering.

We have summarized some common provisions of a depositary agreement and the related depositary receipts. The forms of the depositary agreement and the depositary receipts relating to any particular issue of depositary shares will be filed with the SEC each time we issue depositary shares, and you should read those documents for provisions that may be important to you.

Dividends and Other Distributions

If we pay a cash distribution or dividend on a series of preferred stock represented by depositary shares, the bank depositary will distribute such dividends to the record holders of such depositary shares. If the distributions are in property other than cash, the bank depositary will distribute the property to the record holders of the depositary shares. However, if the bank depositary determines that it is not feasible to make the distribution of property, the bank depositary may, with our approval, sell such property and distribute the net proceeds from such sale to the record holders of the depositary shares.

Redemption of Depositary Shares

If we redeem a series of preferred stock represented by depositary shares, the bank depositary will redeem the depositary shares from the proceeds received by the bank depositary in connection with the redemption. The redemption price per depositary share will equal the applicable fraction of the redemption price per share of the preferred stock. If fewer than all the depositary shares are redeemed, the depositary shares to be redeemed will be selected by lot or pro rata as the bank depositary may determine.

Voting the Preferred Stock

Upon receipt of notice of any meeting at which the holders of the preferred stock represented by depositary shares are entitled to vote, the bank depositary will mail the notice to the record holders of the depositary shares relating to such preferred stock. Each record holder of these depositary shares on the record date (which will be the same date as the record date for the preferred stock) may instruct the bank depositary as to how to vote the preferred stock represented by such holder s depositary shares. The bank depositary will endeavor, insofar as practicable, to vote the amount of the preferred stock represented by such depositary shares in accordance with such instructions, and we will take all action which the bank depositary deems necessary in order to enable the bank depositary to do so. The bank depositary will abstain from voting shares of the preferred stock to the extent it does not receive specific instructions from the holders of depositary shares representing such preferred stock.

Amendment and Termination of the Depositary Agreement

The form of depositary receipt evidencing the depositary shares and any provision of the depositary agreement may be amended by agreement between the bank depositary and us. However, any amendment that

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materially and adversely alters the rights of the holders of depositary shares will not be effective unless such amendment has been approved by the holders of at least a majority of the depositary shares then outstanding. The depositary agreement may be terminated by the bank depositary or us only if (1) all outstanding depositary shares have been redeemed or (2) there has been a final distribution in respect of the preferred stock in connection with any liquidation, dissolution or winding up of us and such distribution has been distributed to the holders of depositary shares.

Charges of Bank Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay charges of the bank depositary in connection with the initial deposit of the preferred stock and any redemption of the preferred stock. Holders of depositary shares will pay other transfer and other taxes and governmental charges and any other charges, including a fee for the withdrawal of shares of preferred stock upon surrender of depositary receipts, as are expressly provided in the depositary agreement to be payable by such holders.

Withdrawal of Preferred Stock

Except as may be provided otherwise in the applicable prospectus supplement, upon surrender of depositary receipts at the principal office of the bank depositary, subject to the terms of the depositary agreement, the owner of the depositary shares may demand delivery of the number of whole shares of preferred stock and all money and other property, if any, represented by those depositary shares. Partial shares of preferred stock will not be issued. If the depositary receipts delivered by the holder evidence a number of depositary shares in excess of the number of depositary shares representing the number of whole shares of preferred stock to be withdrawn, the bank depositary will deliver to such holder at the same time a new depositary receipt evidencing the excess number of depositary shares. Holders of preferred stock thus withdrawn may not thereafter deposit those shares under the depositary agreement or receive depositary receipts evidencing depositary shares therefor.

Miscellaneous

The bank depositary will forward to holders of depositary shares all reports and communications from us that are delivered to the bank depositary and that we are required to furnish to the holders of the preferred stock.

Neither the bank depositary nor Group 1 will be liable if we are prevented or delayed by law or any circumstance beyond its control in performing its obligations under the depositary agreement. The obligations of the bank depositary and us under the depositary agreement will be limited to performance in good faith of their respective duties under the depositary agreement, and we will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares or preferred stock unless satisfactory indemnity is furnished. We may rely upon written advice of counsel or accountants, or upon information provided by persons presenting preferred stock for deposit, holders of depositary shares or other persons believed to be competent and on documents believed to be genuine.

Resignation and Removal of Bank Depositary

The bank depositary may resign at any time by delivering to us notice of its election to do so, and we may at any time remove the bank depositary. Any such resignation or removal will take effect upon the appointment of a successor bank depositary and its acceptance of such appointment. The successor bank depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company meeting the requirements of the depositary agreement.

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DESCRIPTION OF UNITS

As specified in the applicable prospectus supplement, we may issue units consisting of one or more debt securities, shares of common stock or preferred stock, warrants or any combination of such securities. In addition, the prospectus supplement relating to units will describe the terms of any units we issue, including as applicable:

- the designation and terms of the units and the securities included in the units;
- any provision for the issuance, payment, settlement, transfer or exchange of the units;
- the date, if any, on and after which the units may be transferable separately;
- whether we will apply to have the units traded on a securities exchange or securities quotation system;
- any material U.S. federal income tax consequences;
- how, for U.S. federal income tax purposes, the purchase price paid for the units is to be allocated among the component securities; and
- any other information we think is important about the units.

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PLAN OF DISTRIBUTION

We may sell the securities pursuant to this prospectus and any accompanying prospectus supplement in and outside the United States (1) through underwriters or dealers; (2) directly to purchasers, including our affiliates and shareholders, or in a rights offering; (3) through agents; or (4) through a combination of any of these methods. The prospectus supplement will include the following information:

- the terms of the offering;
- the names of any underwriters, dealers or agents;
- the name or names of any managing underwriter or underwriters;
- the purchase price of the securities;
- the net proceeds from the sale of the securities;
- any delayed delivery arrangements;
- any underwriting discounts, commissions and other items constituting underwriters compensation;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any commissions paid to agents.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price, at prevailing market prices at the time of the sale, at prices related to such prevailing market prices, at varying prices determined at the time of sale, or at negotiated prices.

In addition, we may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement. If so, the third parties may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment). We, or one of our affiliates, may loan or pledge securities to a financial institution or other third party that in turn may sell the securities short using this prospectus. Such financial institution or third party may transfer its short position to investors in our securities or in connection with a simultaneous offering of other

securities offered by this prospectus or otherwise.

Sale through Underwriters or Dealers

If we use underwriters in the sale of securities, the underwriters will acquire the securities for their own account. The underwriters may resell the securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriters may offer securities to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. Unless we inform you otherwise in the prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to conditions, and the underwriters will be obligated to purchase all the securities offered by a prospectus supplement if they purchase any of them. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers.

During and after an offering through underwriters, the underwriters may purchase and sell the securities in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters may also impose a

penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers for the offered securities sold for their account may be reclaimed by the syndicate if such offered securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the offered securities, which may be higher than the price that might otherwise prevail in the open market. If commenced, these activities may be discontinued at any time.

If we use dealers in the sale of securities, we will sell the securities to them as principals. They may then resell those securities to the public at varying prices determined by the dealers at the time of resale. The dealers participating in any sale of the securities may be deemed to be underwriters within the meaning of the Securities Act with respect to any sale of those securities. We will include in the prospectus supplement the names of the dealers and the terms of the transaction.

Direct Sales and Sales through Agents

We may sell the securities directly. In that event, no underwriters or agents would be involved. We may also sell the securities through agents we designate from time to time. In the prospectus supplement, we will name any agent involved in the offer or sale of the securities, and we will describe any commissions payable by us to the agent. Unless we inform you otherwise in the prospectus supplement, any agent will agree to use its reasonable best efforts to solicit purchases for the period of its appointment.

We may sell the securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act with respect to any sale of those securities. We will describe the terms of any such sales in the prospectus supplement.

Delayed Delivery Arrangements

If we so indicate in the prospectus supplement, we may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase securities from us at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

Remarketing Arrangements

Offered securities also may be offered and sold, if so indicated in the applicable prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms or otherwise, by one or more remarketing firms, acting as principals for their own accounts or as agents for us. Any remarketing firm will be identified and the terms of its agreements, if any, with us, and its compensation will be described in the applicable prospectus supplement. Remarketing firms may be deemed to be underwriters within the meaning of the Securities Act in connection with the securities remarketed.

General Information

Underwriters, dealers and agents that participate in the distribution of the offered securities may be underwriters as defined in the Securities Act, and any discounts or commissions received by them from us and any profit on the resale of the offered securities by them may be treated as underwriting discounts and commissions under the Securities Act. Any underwriters or agents will be identified and their compensation described in the applicable prospectus supplement.

We may have agreements with the underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act, or to contribute with respect to payments that the underwriters, dealers or agents may be required to make.

Underwriters, dealers and agents may engage in transactions with, or perform services for us or our subsidiaries in the ordinary course of their businesses.

In connection with offerings of securities under the registration statement of which this prospectus forms a part and in compliance with applicable law, underwriters, brokers or dealers may engage in transactions that stabilize or maintain the market price of the securities at levels above those that might otherwise prevail in the open market. Specifically, underwriters, brokers or dealers may over-allot in connection with offerings, creating a short position in the securities for their own accounts. For the purpose of covering a syndicate short position or stabilizing the price of the securities, the underwriters, brokers or dealers may place bids for the securities or effect purchases of the securities in the open market. Finally, the underwriters may impose a penalty whereby selling concessions allowed to syndicate members or other brokers or dealers for distribution of the securities in offerings may be reclaimed by the syndicate if the syndicate repurchases previously distributed securities in transactions to cover short positions, in stabilization transactions or otherwise. These activities may stabilize, maintain or otherwise affect the market price of the securities, which may be higher than the price that might otherwise prevail in the open market, and, if commenced, may be discontinued at any time.

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LEGAL MATTERS

Our counsel, Vinson & Elkins L.L.P., Houston, Texas, will pass upon certain legal matters in connection with the offered securities. Any underwriters, dealers or agents will be advised about other issues relating to any offering by their own legal counsel.

EXPERTS

The consolidated financial statements of Group 1 Automotive, Inc. appearing in Group 1 Automotive, Inc. s and subsidiaries Annual Report (Form 10-K) for the year ended December 31, 2017, and the effectiveness of Group 1 Automotive, Inc. s and subsidiaries internal control over financial reporting as of December 31, 2017 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

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PROSPECTUS

November 5, 2018

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.
The following table sets forth the estimated expenses in connection with the issuance and distribution of the securities covered by this registration statement, other than underwriting discounts and commissions. All of the expenses will be borne by us except as otherwise indicated.

SEC registration fee	$	*
Legal fees and expenses		**
Accounting fees and expenses		**
Trustee fees and expenses		**
Listing fee		**
Transfer and disbursement agent fees		**
Printing costs		**
Financial Industry Regulatory Authority Fee		**
Miscellaneous expenses		**
Total	$	**

* Applicable SEC registration fees have been deferred in accordance with Rules 456(b) and 457(r) of the Securities Act and are not estimable at this time.

** Estimated expenses are not presently known. The foregoing sets forth the general categories of expenses (other than underwriting discounts and commissions) that we anticipate we will incur in connection with the offering of securities under this registration statement. An estimate of the aggregate expenses in connection with the issuance and distribution of securities being offered will be included in the applicable prospectus supplement.

Item 15. Indemnification of Directors and Officers.
Section 145(a) of the General Corporation Law of the State of Delaware (the DGCL), which Group 1 Automotive, Inc. is subject to, provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person s conduct was unlawful. Section 145(b) of the DGCL provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the

corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the

adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper. To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145 of the DGCL, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys fees) actually and reasonably incurred by such person in connection therewith.

Any indemnification under subsections (a) and (b) of Section 145 of the DGCL (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of Section 145. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders. Expenses (including attorneys fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The indemnification and advancement of expenses provided by, or granted pursuant to, Section 145 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person s official capacity and as to action in another capacity while holding such office.

Section 145 of the DGCL also empowers a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person s status as such, whether or not the corporation would have the power to indemnify such person against such liability under Section 145.

Article Six, Part II, of our Amended and Restated Certificate of Incorporation provides that directors, officers, employees and agents shall be indemnified to the fullest extent permitted by the DGCL. Section 6.1 of Group 1 Realty, Inc. s Bylaws provides that directors, officers, employees and agents shall be indemnified to the fullest extent permitted by the DGCL.

We entered into an indemnification agreement with each of our directors and certain of our executive officers. The indemnification agreements provide that we indemnify each of our directors and certain of our executive officers to the fullest extent permitted by the DGCL. This means, among other things, that we must indemnify the indemnitee against expenses (including attorneys fees), judgments, fines and amounts paid in settlement that are actually and reasonably incurred in an action, suit or proceeding by reason of the fact that the person is or was a director, officer, employee or agent of Group 1 or is or was serving at the request of Group 1 as a director, officer, employee or agent of another corporation or other entity if the indemnitee acted in good faith and, in the case of conduct in his or her official capacity, in a manner he or she reasonably believed to be in the best interests of Group 1 and, in all other cases, not opposed to the best interests of Group 1. Also, the indemnification agreements require that we advance expenses in defending such an action provided that the indemnitee undertakes to repay the amounts if the person

ultimately is determined not to be entitled to indemnification.

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In general, the disinterested directors on the board of directors or a committee of the board of directors designated by majority vote of the board of directors have the authority to determine an indemnitee s right to indemnification. However, such determination may also be made by (i) if there are no such directors, or if such directors so direct, independent legal counsel in a written opinion or (ii) the stockholders.

All agreements and obligations of Group 1 contained in the indemnification agreements with our directors and certain of our executive officers (i) continue during the period the indemnitee is a director or officer of Group 1 (or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise); and (ii) continue thereafter so long as the indemnitee is subject to any possible proceeding for which the indemnitee is entitled to indemnification (notwithstanding the fact that the indemnitee has ceased to serve Group 1).

We carry directors and officers liability coverages designed to insure our officers and directors and those of our subsidiaries against certain liabilities incurred by them in the performance of their duties, and also providing for reimbursement in certain cases to us and our subsidiaries for sums paid to directors and officers as indemnification for similar liability.

The general effect of the foregoing is to provide indemnification to officers and directors for liabilities that may arise by reason of their status as officers or directors, other than liabilities arising from willful or intentional misconduct, acts or omissions not in good faith, unlawful distributions of corporate assets or transactions from which the officer or director derived an improper personal benefit.

Item 16. Exhibits.

The following documents are filed as exhibits to this registration statement, including those exhibits incorporated herein by reference to a prior filing of Group 1 Automotive, Inc. under the Securities Act or the Exchange Act as indicated in parentheses:

Exhibit Number	**Description**
1.1*	Form of Underwriting Agreement.
4.1	Form of Senior Indenture. (Incorporated by reference to Exhibit 4.1 of Group 1 Automotive, Inc. s Registration Statement on Form S-3 (Registration No. 333-161325)).
4.2*	Form of Senior Note.
4.3	Form of Subordinated Indenture. (Incorporated by reference to Exhibit 4.3 of Group 1 Automotive, Inc. s Registration Statement on Form S-3 (Registration No. 333-161325)).
4.4*	Form of Subordinated Note.
4.5*	Form of Deposit Agreement.
4.6*	Form of Depositary Receipt.
4.7*	Form of Warrant Agreement, including Form of Warrant Certificate.
4.8*	Form of Guarantee Agreement.

4.9*	Form of Rights Agreement, including Form of Rights Certificate.
5.1	Opinion of Vinson & Elkins L.L.P. as to the legality of the securities being registered.
12.1	Statement of Computation of Ratio of Earnings to Fixed Charges.
23.1	Consent of Ernst & Young LLP.
23.3	Consent of Vinson & Elkins L.L.P. (contained in Exhibit 5.1).
24.1	Powers of Attorney (contained on signature pages).

Exhibit Number	Description
25.1**	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 respecting the Senior Indenture.
25.2**	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 respecting the Subordinated Indenture.

* To be filed by a post-effective amendment to this registration statement or as an exhibit to a report pursuant to Section 13(a) or 15(d) of the Exchange Act.

** To be filed in accordance with Section 310(a) of the Trust Indenture Act of 1939, as amended.

Item 17. Undertakings.

(a) Each undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (i), (ii) and (iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by the registrants pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of

the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which the prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the registrants under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, each undersigned registrant undertakes that in a primary offering of securities of such undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, such undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of such undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of such undersigned registrant or used or referred to by such undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about such undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by such undersigned registrant to the purchaser.

(b) Each undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of such registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Each undersigned registrant hereby undertakes, to the extent that the securities are offered to existing security holders pursuant to warrants or rights and any securities not taken by security holders are to be offered to the public, to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, a post-effective amendment will be filed to set forth the terms of such offering.

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the Commission such indemnification is against public policy as expressed in

the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by

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a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, each registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(e) That for purposes of determining any liability under the Securities Act of 1933, (1) the information omitted from the form of prospectus filed as part of this registration statement in reliance on Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective; and (2) each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(f) Each undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee under either the Senior Indenture or the Subordinated Indenture to act under subsection (a) of Section 310 of the Trust Indenture Act of 1939, as amended (the Trust Indenture Act) in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on November 5, 2018.

GROUP 1 AUTOMOTIVE, INC.

By: /s/ Earl J. Hesterberg
Earl J. Hesterberg

President and Chief Executive Officer

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Earl J. Hesterberg, John C. Rickel and Darryl M. Burman and each of them, any of whom may act without joinder of the other, his or her lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement and to file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, and each of them, or the substitute or substitutes of any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on November 5, 2018.

Signature	Title
/s/ Earl J. Hesterberg Earl J. Hesterberg	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ John C. Rickel John C. Rickel	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ John L. Adams John L. Adams	Director
/s/ Carin Barth Carin Barth	Director

/s/ Lincoln da Cunha Pereira Filho	Director
Lincoln da Cunha Pereira Filho	
/s/ Stephen D. Quinn	Chairman of the Board and Director
Stephen D. Quinn	
/s/ J. Terry Strange	Director
J. Terry Strange	
/s/ Charles L. Szews	Director
Charles L. Szews	
/s/ Anne Taylor	Director
Anne Taylor	

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Signature	Title
/s/ Max P. Watson, Jr.	Director
Max P. Watson, Jr.	
/s/ MaryAnn Wright	Director
MaryAnn Wright	

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on November 5, 2018.

GROUP 1 REALTY, INC.

By: /s/ Earl J. Hesterberg
Earl J. Hesterberg

Chief Executive Officer

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Earl J. Hesterberg, John C. Rickel and Darryl M. Burman and each of them, any of whom may act without joinder of the other, his lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement and to file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, and each of them, or the substitute or substitutes of any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on November 5, 2018.

Signature	Title
/s/ Earl J. Hesterberg	Chief Executive Officer
Earl J. Hesterberg	(Principal Executive Officer)
/s/ John C. Rickel	President and Director
John C. Rickel	(Principal Financial and Accounting Officer)
/s/ Darryl M. Burman	Vice President and Assistant Secretary and Director
Darryl M. Burman	

he transactions contemplated by this Agreement;

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(x) each Contract with any Seller or any Affiliate of any Seller;

(xi) each Contract under which either Seller has advanced or loaned to any other Person amounts in the aggregate exceeding $25,000;

(xii) each confidentiality agreement and non-disclosure agreement still in effect relating to the Business or the Purchased Assets (excluding customary confidentiality and non-disclosure provisions contained in any Contract and excluding any such agreement with any potential bidder for any Seller or its assets);

(xiii) each Contract which requires the Business to purchase or sell products or exclusively, or to purchase or sell a minimum quantity of products or services, to or from any Person; and

(xiv) each other Contract that is material to the Business as defined under the rules and regulations of the Exchange Act.

Sellers have made such Material Contracts available to Buyer prior to the Closing.

(b) Except as disclosed in Schedule 5.17(b), each Material Contract is legal, valid, binding and enforceable against Sellers (and to Sellers Knowledge, the other party thereto), is in full force and effect, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting the enforcement of creditors rights generally and general equitable principles. Except as disclosed in Schedule 5.17(b), (i) there exists no default or event of default by any Sellers or, to the Knowledge of Sellers, any other party to any Material Contract, (ii) no Material Contract has been canceled by Sellers or, to the Knowledge of Sellers, any other party thereto, (iii) Sellers have, or prior to the Closing will have, performed all material obligations under such Material Contracts required to be performed by Sellers or their Affiliates on or before the Closing, (iv) to the Knowledge of Sellers, there is no event which, upon giving of notice or lapse of time or both, would constitute a breach or default under any such Material Contract or would permit the termination, modification or acceleration of such Material Contract, and (v) Sellers have not assigned, delegated or otherwise transferred to any Person any of its rights, title or interest under any such Material Contract.

5.18 Intangible Property. Intangible Property means any and all of the following, anywhere in the world (whether national, international or otherwise) and all rights therein, arising therefrom, or associated therewith: (i) trademarks and service marks, trade names and logos, including all applications, registrations, translations, adaptations, derivations and combinations thereof and goodwill related to the foregoing; (ii) copyrights, including all applications and registrations related to the foregoing; (iii) trade secrets, confidential know-how and other confidential or proprietary information (including, without limitation, unpatented inventions, invention disclosures, moral and economic rights of authors or inventors, technical data, designs, and processes); (iv) patents and patent applications and disclosures; and (v) internet domain name registrations, applications and reservations. Schedule 5.18 lists all patents, patent applications, trademark registrations and pending applications for registration, copyright registrations and pending applications for registration and internet domain name registrations owned by Sellers used primarily in the Business or necessary to conduct the Business as

currently conducted (the Seller Intangible Property). Sellers own or have a valid right to use all Seller Intangible Property, free and clear of all Liens, other than Permitted Liens. The Seller Intangible Property as currently licensed or used by Sellers, and the Sellers conduct of the Business as currently conducted, do not infringe, violate or misappropriate the Intangible Property of any other Person. To the Sellers Knowledge, no Person is infringing, violating or misappropriating any Seller Intangible Property in any material respect. Except as set forth on Schedule 5.18, there is no, and during the past two (2) years there has been no, written claim or demand of any Person pertaining to, or any proceeding pending or, to the Knowledge of Sellers, threatened in writing, which alleges that the conduct of the Business infringes, misappropriates, misuses or violates any Intangible Property of any Person in any material respect.

5.19 Environmental Matters.

(a) Sellers are (and during the last two (2) years have been) in material compliance with all Environmental Laws and orders and have not received from any Person any (i) Environmental Notice or Environmental Claim, or (ii) written request for information pursuant to Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the Closing Date.

(b) Sellers have obtained and are in material compliance with all Environmental Permits (each of which is disclosed in Schedule 5.19(b)) necessary for the ownership, lease, operation or use of the Business or the Purchased Assets.

(c) To Sellers Knowledge, there has been no Release of Hazardous Materials in contravention of Environmental Laws with respect to any real property currently owned, operated or leased by the Sellers, and no Seller has received an Environmental Notice that any real property currently owned, operated or leased in connection with the Business (including the soils, groundwater and surface water on any such real property) has been contaminated with any Hazardous Material which would reasonably be expected to result in a material Environmental Claim against, or a material violation of Environmental Laws or material term of any Environmental Permit by, any Seller.

(d) The representations and warranties set forth in this Section 5.19 are the Sellers sole and exclusive representations and warranties regarding environmental matters.

5.20 Business Locations. All locations where the equipment, employees, consultants (excluding distributors) and books and records of the Business are located as of the date hereof are fully identified on Schedule 5.20.

5.21 Names. All names under which (i) each Seller conducts, and has during the past three years conducted, the Business and (ii) the Business operates, and has during the past three years operated, are specified on Schedule 5.21.

5.22 Bulk Sales. The transactions contemplated under this Agreement are not subject to any bulk sales, transfer or similar Law of any jurisdiction.

5.23 Inventory. The inventory included in the Purchased Assets (a) does not include any items that are obsolete or of a quantity or quality not usable or salable in the ordinary course

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of the Business consistent with past practices during the twelve-month period prior to the date hereof, except to the extent of Sellers reserves therefor as set forth on the Current Balance Sheet, as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of Sellers, and (b) includes only items of a type sold by the Business in the ordinary course of the Business consistent with past practices during the twelve-month period prior to the date hereof, except to the extent of Sellers reserves therefor as set forth on the Current Balance Sheet, as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of Sellers. The inventory of the Business disposed of subsequent to the date of the Current Balance Sheet Date has been disposed of only in the ordinary course of the Business consistent with past practices during the twelve-month period prior to the date hereof.

5.24 Warranty; Product Liability.

(a) Each product or service, sold by Sellers with respect to the Business is and has been sold in conformity in all material respects with all applicable express warranties, and neither of the Sellers has any material liability for replacement or repair thereof or other damages, liability or obligations in connection therewith.

(b) Schedule 5.24(b) sets forth an accurate, correct and complete list and summary description of all pending material claims arising from or alleged to arise from any injury to person or property as a result of the ownership, possession or use of any product of the Business manufactured, distributed or sold by Sellers during the two years prior to the date hereof. Neither Seller has any liability or obligation arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product of the Business sold or distributed by Sellers.

5.25 Insurance. Schedule 5.25 lists each insurance policy (including policies providing property, casualty, liability, director & officer, and workers compensation coverage and bond and surety arrangements, but excluding Benefit Plans) with respect to which a Seller is a party, a named insured, or otherwise the beneficiary of coverage and for each such policy or bond sets forth: (a) the name of the insurer, the name of the policyholder, and the name of each covered insured; and (b) the policy number and the period of coverage.

5.26 Customers and Suppliers. Schedule 5.26 sets forth a correct and complete list of (i) the 10 largest suppliers (by dollar volume) of products or services to Business, and (ii) the 10 largest customers (by dollar volume) of the Business, in each case during calendar year 2009 and the eleven (11) months ended November 30, 2010. Schedule 5.26 also sets forth, for each such supplier and customer, the aggregate payments from or to such Person by the Business during such periods. Since January 1, 2010, none of the customers or suppliers listed on Schedule 5.26 has indicated in writing that it shall stop, or materially decrease the rate of, purchasing or supplying, as the case may be, materials, products or services from or to, as the case may be, the Business, or otherwise materially change the terms of its relationship with the Business.

5.27 Fairness Opinion. Cardo Medical has received an opinion from Inverness Advisors that the sale of the Purchased Assets as contemplated by this Agreement is fair to

Cardo Medical from a financial perspective. The Sellers are not entering into this Agreement or any of the Transaction Documents with the intent to defraud, delay or hinder its creditors, and the consummation of the transactions contemplated by this Agreement and the Transaction Documents would not reasonably be expected to have any such effect. After giving effect the transactions contemplated hereby, Cardo Medical will be Solvent.

5.28 No Other Representations and Warranties. Except for the representations and warranties contained in this Article V (including the related portions of the Disclosure Schedules), no Seller or any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of Sellers.

5.29 Disclaimer Regarding Estimates and Projections. In connection with Buyer s investigation of Sellers, Buyer has received certain estimates, forecasts, plans and financial projections. Buyer acknowledges that there are uncertainties inherent in attempting to make such estimates, forecasts, plans and projections, that Buyer is familiar with such uncertainties, that Buyer is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, forecasts, plans and projections so furnished to it (including the reasonableness of the assumptions underlying such estimates, forecasts, plans and projections), and that Buyer shall have no claim against Sellers with respect thereto. Accordingly, Sellers do not make any representation or warranty with respect to such estimates, forecasts, plans and projections (including any such underlying assumptions).

ARTICLE VI
CERTAIN AGREEMENTS AND COVENANTS OF THE PARTIES

6.1 Further Assurances. Each party shall execute and deliver such additional instruments and other documents and shall take such further actions as may be reasonably necessary to effectuate, carry out and comply with all of the terms of this Agreement and the transactions contemplated hereby. From the date hereof until the Closing, each party hereto shall use commercially reasonable efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in Article VII hereof, including, without limitation, in the case of Sellers, such commercially reasonable efforts to satisfy the condition specified in Section 7.2(c)(vii). Neither Seller shall take any action that is designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier, or other business associate of the Business from maintaining the same business relationships with the Business after the Closing as it maintained with the Business prior to the Closing.

6.2 Conduct of Business Prior to the Closing. From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by Buyer (which consent shall not be unreasonably withheld or delayed), Sellers shall: (a) conduct the Business in the ordinary course of business; and (b) use commercially reasonable efforts to maintain and preserve intact its current organization, business and franchise and to preserve the rights, franchises, goodwill and relationships of its employees, consultants, customers, lenders, suppliers, regulators and others having business relationships with such Seller in respect of the Business. From the date hereof until the Closing Date, except as consented to in writing by Buyer (which consent shall not be unreasonably withheld or delayed), Sellers shall not take any

action that would cause any of the changes, events or conditions described in Section 5.8 to occur.

6.3 Certain Tax Returns and Indemnity. Notwithstanding anything to the contrary set forth herein, all transfer, documentary, sales, use, registration and other such Taxes (including all applicable real estate transfer or gains Taxes and stock transfer Taxes), all penalties, interest and additions to Tax, and any and all fees incurred in connection with the sale or transfer of the Purchased Assets shall be paid 50% by Buyer and 50% by Sellers. Each Party to this Agreement will cooperate in the timely making of all filings, returns, reports and forms required in connection with this Agreement. Each Seller shall be liable for the payment of all Taxes of such Seller. Each Seller shall also be liable for the payment of all Taxes applicable to the Purchased Assets for all taxable periods on or before the Closing Date, regardless of when assessed, and including any interest or penalties thereon. For the purpose hereof, any taxable period which ends after the Closing Date, but includes a period of time before the Closing Date, shall be deemed to be two taxable periods, the first ending on the Closing Date and the second beginning the next day. For purposes of determining the amount of Taxes attributable to the portion of any such period ending on the Closing Date and the portion of any such period ending after the Closing Date, the total amount of Taxes payable with respect to any such period shall be apportioned in equal amounts among all days during said period.

6.4 Publicity. Except as required by applicable Law, any exchange or organization on which Cardo Medical s securities trade, or any Governmental Authority (in which case Buyer will be provided with an advance copy), no press release or other public announcement related to this Agreement or the transactions contemplated hereby shall be issued by any party hereto without the prior approval of the other parties hereto, which shall not be unreasonably withheld.

6.5 Employee Matters. Prior to the Closing Date, Buyer shall have offered employment or consulting arrangements to certain employees and/or consultants of Sellers set forth on Schedule 6.5 (the Transferred Employees) to perform services in connection with the Business on such terms and conditions as such employees and/or consultants and Buyer shall have agreed. Effective as of the Closing, the respective Seller hereby releases and consents to the employment and/or engagement by Buyer of the Transferred Employees on such terms and conditions as may be mutual agreeable between Buyer and each such Transferred Employee, provided that in the case of Andrew Brooks, Mikhail Kvitnitsky, Derrick Romine, John Kuczynski and Dina Weissman, such terms shall not be exclusive to Buyer, and Buyer agrees to allow such Transferred Employees to consult with, continue employment with or otherwise be associated with Cardo Medical and/or its subsidiaries (as a director, holder of equity securities (including stock options) or otherwise) in connection with the disposition by Cardo Medical and/or its subsidiaries of any Excluded Assets or of all or any part of their remaining business after the Closing, so long as such services to Cardo Medical are (a) in compliance with the confidentiality obligations of such person as set forth in their Consulting/Employment Agreement with Buyer and (b) do not materially interfere with the performance of such person s duties pursuant to such Consulting/Employment Agreement. Notwithstanding the foregoing, Buyer shall have no obligation to continue the engagement or employment of any such individual after the Closing and, except as otherwise expressly agreed to by such individuals and Buyer, such engagement or employment shall be on an at-will basis.

6.6 Use of Name. From and after the Closing Date, no Seller shall (nor shall it permit its Affiliates to) use the name Cardo Medical or any similar name or any logo, trade dress, trade name, trademark, service mark or the like similar to or confusing therewith for any business purpose or otherwise; provided, however, that Sellers shall be permitted to use the name Cardo Medical in connection with (a) the satisfaction of its obligations hereunder or the satisfaction of any Excluded Liabilities, (b) collections of the Retained Receivables and (c) the administration and sale of existing Contracts and other existing rights related to the Excluded Assets for the period of time following the Closing until the sale of such assets. Immediately after the Closing, each Seller shall change its name to a name that does not include the words Cardo or any variation thereof and that is reasonably satisfactory to Buyer.

6.7 Information Statement. Promptly upon execution of this Agreement (and in no event more than five days following the date hereof (or the next business day after such fifth day, if such fifth day is not a day upon which the SEC accepts such filings)), Cardo Medical will file with the SEC an Information Statement on Schedule 14C relating to the Stockholder Approval and the consummation of the transactions contemplated hereby and that is in compliance with all applicable SEC rules and regulations (the Information Statement). Cardo Medical will provide Buyer and its counsel with a reasonable opportunity to review the Information Statement prior to its filing and shall include in such document or response all comments reasonably proposed by Buyer. Seller will (a) provide a copy of the Information Statement to Buyer when filed with the SEC, (b) use reasonable best efforts, after consultation with Buyer, to promptly respond to and resolve any comments or requests made by the SEC, (c) keep Buyer informed on a current basis regarding all communications and correspondence with the SEC and promptly provide to Buyer copies of all written correspondence or telephonic notice of oral communications between Cardo Medical or any of its representatives and the SEC, and (d) send the Information Statement to Cardo Medical s stockholders as soon as possible under all applicable SEC rules and regulations (but no later than three days after the SEC either declines to review the Information Statement or all comments are satisfied).

6.8 [Reserved]

6.9 Transition. From the Closing until Sellers have divested substantially all of the assets of its spinal surgical device business, but in no event longer than six (6) months after the Closing Date, Buyer shall permit Sellers reasonable access to and use of computer hardware and software included in the Purchased Assets as needed to facilitate and administer the sale of such spinal surgical device business.

6.10 Confidentiality.

(a) Buyer acknowledges and agrees that the Confidentiality Agreement remains in full force and effect and, in addition, covenants and agrees to keep confidential, in accordance with the provisions of the Confidentiality Agreement, information provided to Buyer pursuant to this Agreement and the Confidentiality Agreement. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement and the provisions of this Section 6.10 shall nonetheless continue in full force and effect. At Closing, the Confidentiality Agreement shall automatically terminate and be of no further force or effect with respect to the

Business and the Purchased Assets, but shall remain in full force and effect with respect to other businesses of the Sellers and the Excluded Assets.

(b) From and after the Closing, each Seller will treat and hold as confidential all of the Confidential Information, refrain from using or authorizing the use of any of the Confidential Information, and deliver promptly to Buyer or destroy, at the request and option of Buyer, all tangible embodiments (and all copies) of the Confidential Information, including electronic, that are in his, her, or its possession or control. In the event that either Seller is requested or required pursuant to written or oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigation demand, or similar process to disclose any Confidential Information, such Seller will notify Buyer promptly of the request or requirement so that Buyer may seek an appropriate protective order or waive compliance with the provisions of this Section 6.10(b). If, in the absence of a protective order or the receipt of a waiver hereunder, such Seller is, on the advice of counsel, compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt, such Seller may disclose the Confidential Information to the tribunal; provided, however, that such Seller shall use his or its reasonable best efforts to obtain, at the request and expense of Buyer, an order or other assurance that confidential treatment will be accorded to such portion of the Confidential Information required to be disclosed as Buyer shall designate. For purposes of this Agreement, Confidential Information shall mean any information or data concerning the Business, Purchased Assets or Assumed Liabilities not already generally available to the public.

6.11 Governmental Approvals and Other Third-Party Consents.

(a) Each party hereto shall, as promptly as possible, use its commercially reasonable efforts to obtain, or cause to be obtained, all consents, authorizations, orders and approvals from all Governmental Authorities that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement. Each party shall cooperate fully with the other party and its Affiliates in promptly seeking to obtain all such consents, authorizations, orders and approvals.

(b) Sellers shall use commercially reasonable efforts to give all notices to, and seek all consents from, all third parties that are described in Schedule 6.11(b) (the Consents); provided, however, that Sellers shall not be obligated to pay any consideration to any third party from whom such Consent is requested. With respect to Consents required to transfer Contracts or Permits hereunder, the condition set forth in Section 7.2(c)(viii) shall not be deemed satisfied to the extent that such Consent contains any material modification of or other material changes to the terms and conditions of such Contracts or Permits.

6.12 Books and Records.

(a) In order to facilitate the resolution of any claims made against or incurred by Sellers prior to the Closing, or for any other reasonable purpose, for a period of seven (7) years after the Closing, Buyer shall:

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(i) retain the books and records (including personnel files) of each Seller relating to periods prior to the Closing in a manner reasonably consistent with the prior practices of such Seller; and

(ii) upon reasonable notice, afford the representatives, advisors and consultants of Sellers reasonable access (including the right to make, at Sellers expense, photocopies), during normal business hours, to such books and records.

(b) No party shall be obligated to provide any other party with access to any books or records (including personnel files) pursuant to this Section 6.12 where such access would violate any Law or order of any Governmental Authority.

6.13 Warranty Obligations. Sellers shall be responsible for all warranties issued by the Sellers with respect to products and services sold by the Business prior to the Closing Date and shall timely perform such warranty services at its own cost. Buyer will reasonably cooperate with Seller at Seller s expense in the handling of any warranty claims. Prior to Closing, Sellers shall, at their sole cost and expense, obtain and carry in full force and effect for the three year (3) year period following the Closing, prepaid product liability insurance in respect of the manufacture and sale of all products and services of the Business prior to the Closing, in the amount of at least $5 million in the aggregate, and name Buyer and its Affiliates as additional insureds (the Seller Product Liability Insurance).

6.14 [Reserved.]

6.15 Collection of Accounts Receivables. The parties acknowledge and agree that accounts receivable of the Business for periods up to the Closing (Retained Receivables) are not part of the Purchased Assets, and as such, Sellers shall have the right to collect such Retained Receivables following the Closing Date; provided that, in collecting such Retained Receivables from customers, Sellers (and its representatives) shall act in accordance with its past practice of the Business in collecting such receivables and shall not institute any suit or proceeding against a customer of the Business without the prior written consent with Buyer, which shall not be unreasonably withheld. All amounts received by Buyer in respect of the Retained Receivables shall be promptly remitted to Sellers. Any amounts received in respect of any customer shall be applied first to the oldest then outstanding receivable owed by the applicable customer to Sellers, unless the customer designates the payment to a newer invoice.

6.16 Exclusivity. From the date hereof until the earlier of the date this Agreement is terminated and the Closing Date, the Sellers, and their respective Affiliates, employees, agents and representatives will not (i) initiate or encourage the initiation by others of, or engage in discussions or negotiations with, any Person or respond to solicitations by any Person relating to any sale or other disposition of all or any material part of the Purchased Assets or the Business, or (ii) enter into any agreement or commitment (whether or not binding) with respect to any of the foregoing transactions. The Sellers will immediately notify Buyer if any third party attempts to initiate any solicitation, discussion or negotiation or present any offer with respect to any of the foregoing transactions.

6.17 Material Vendors. Prior to or at the Closing, Sellers shall satisfy all amounts due and owing as of the Closing Date to the vendors identified on Schedule 6.17 (the Material Vendors). The aggregate amount required to satisfy all amounts due and owing to the Material Vendors as of the Closing Date (including, but not limited to, any prepayment premium or penalty, accrued interest and costs and expenses) shall constitute the Vendor Payment Amount and shall be deducted from the Purchase Price at Closing and paid to the Material Vendors on behalf of the applicable Seller. At least two business days prior to Closing, Sellers shall deliver to Buyer an updated schedule setting forth the Vendor Payment Amount.

ARTICLE VII
CONDITIONS TO CLOSING

7.1 Conditions to Obligations of All Parties. The obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any order which is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

(b) Sellers shall have received all consents, authorizations, orders and approvals from the Governmental Authorities referred to in Schedule 5.5 (excluding Buyer notice requirements post-Closing), in form and substance reasonably satisfactory to Buyer and Sellers, and no such consent, authorization, order and approval shall have been revoked.

(c) At least twenty (20) calendar days will have passed since an Information Statement pursuant to Rule 14c-2 under the Exchange Act, which will include the information required to be disclosed on Schedule 14C, has been filed with the SEC and transmitted to every record holder of shares of Cardo Medical from whom proxy authorization or consent is not solicited.

(d) No action, suit, litigation or other proceeding shall be pending seeking to restrain, prevent, change or materially delay the consummation of the transactions contemplated hereunder.

7.2 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Buyer s waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of Sellers contained in Article V shall be true and correct in all respects as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects as of that specified date), except where the failure of such representations and warranties to be true and correct would not have a Material Adverse Effect.

(b) Sellers shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by Sellers prior to or on the Closing Date.

(c) Sellers shall have delivered to Buyer:

(i) a certificate, dated as of the Closing Date and signed by a duly authorized officer of each Seller, that each of the conditions set forth in Section 7.2(a) and (b) have been satisfied.

(ii) A certificate from the Secretary of each Seller certifying on the Closing Date that the following are true, correct and complete and attaching a copy thereof: (a) each Seller s certificate of incorporation or formation and bylaws or operating agreement, as applicable, as in effect immediately prior to the Closing, (b) resolutions unanimously and duly and validly adopted by each Seller s board of directors, stockholders and/or members, as applicable, authorizing the transactions contemplated by this Agreement, (c) an incumbency certificate, and (d) a certificate of good standing of each Seller issued by the Secretary of State of Delaware as of a date not more than ten days prior to the Closing Date;

(iii) Payoff and release letters from the holders of indebtedness set forth on Schedule 7.2(c)(iii) that (A) reflect amounts required to pay such indebtedness in full, and (B) provide that, upon payment in full of the amounts indicated, all Liens held by such Person or the Purchased Assets shall be terminated, released and of no further force or effect;

(iv) Evidence reasonably satisfactory to Buyer of the satisfaction and release of all Liens (other than Permitted Liens) encumbering any of the Purchased Assets, except to the extent such Lien relates to an Assumed Liability;

(v) The Bill of Sale and Assignment and Assumption Agreement, duly executed by each Seller, in substantially the form attached hereto as Exhibit C (the Bill of Sale);

(vi) Consulting or Employment Agreements duly executed by each of the employees of the Business designated on Schedule 7.2(c)(vi), in each case in substantially the form attached hereto as Exhibit D (the Consulting/Employment Agreements);

(vii) Duly executed assignments of any Seller Intangible Property and agreements to transfer ownership to Buyer of all domain names, internet address and URL s owned or used by any Seller in the Business;

(viii) the Consents;

(ix) a duly executed estoppel certificate with respect to the Lease identified in Schedule 7.2(c)(ix), in form and substance reasonably satisfactory to Buyer, and a sublease for such property, in substantially the form attached hereto as Exhibit E, executed by the applicable Seller (the Sublease);

(x) an affidavit described in Section 1445(b)(2) of the Code from each Seller in form and substance reasonably satisfactory to Buyer; and

(xi) such other bills of sale, assignments and other instruments of transfer or conveyance as Buyer may reasonably request or as may otherwise be necessary to evidence and effect the sale, assignment, transfer, conveyance and delivery of the Purchased Assets to Buyer.

(d) Buyer shall have received from Sellers evidence reasonably acceptable to Buyer of the issuance of the Seller Product Liability Insurance.

7.3 Conditions to Obligations of Sellers. The obligations of Sellers to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Sellers waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of Buyer contained in Article IV shall be true and correct in all respects as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects as of that specified date), except where the failure of such representations and warranties to be true and correct would not have a Material Adverse Effect.

(b) Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

(c) Buyer shall have delivered to Sellers cash in an amount equal to (i) the Estimated Cash Consideration minus the Deposit and minus the Escrow Amount by wire transfer in immediately available funds, to an account or accounts designated by Sellers in a written notice to Buyer and (ii) the Escrow Amount to the escrow agent pursuant to the Escrow Agreement.

(d) Buyer shall have delivered to Sellers:

(i) a certificate, dated as of the Closing Date and signed by a duly authorized officer of each of Buyer, that each of the conditions set forth in Section 7.3(a) and (b) have been satisfied.

(ii) A certificate from the Secretary of Buyer certifying on the Closing Date that the following are true, correct and complete and attaching a copy thereof: (a) the Buyer s incorporation documents and by-laws as in effect immediately prior to the Closing, (b) resolutions unanimously and duly and validly adopted by Buyer s boards of directors authorizing the transactions contemplated by this Agreement, (c) an incumbency certificate, and (d) a certificate of good standing of Buyer issued by the Secretary of State of the State of Delaware as of a date not more than ten days prior to the Closing Date;

(iii) The Bill of Sale, duly executed by Buyer;

(iv) The Consulting/Employment Agreements, duly executed by Buyer;

(v) the Sublease, duly executed by Buyer; and

(vi) Such other bills of sale, assignments, assumptions and other instruments of transfer or conveyance as Sellers may reasonably request or as may otherwise be necessary to evidence and effect the sale, assignment, transfer, conveyance and delivery of the Purchased Assets to Buyer and the assumption of the Assumed Liabilities by Buyer.

ARTICLE VIII

NON-SURVIVAL

8.1 Non-Survival of Representations and Warranties. None of the representations or warranties set forth herein or in any certificate delivered in connection herewith with respect to such representations or warranties shall survive the Closing, provided however that this Section 8.1 shall not limit any covenant or agreement of any party hereto that by its terms is to be performed after the Closing.

ARTICLE IX

TERMINATION

9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Sellers and Buyer;

(b) by Buyer by written notice to Sellers if:

(i) there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Sellers pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Section 7.2 and such breach, inaccuracy or failure is incapable of being cured by Sellers by the End Date (unless the failure results primarily from Buyer itself breaching any representation, warranty, covenant or agreement made by them pursuant to this Agreement); or

(ii) any of the conditions set forth in Section 7.1 or 7.2 shall not have been fulfilled or waived by the End Date, unless such failure shall be due to the failure of Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing;

(c) by Sellers by written notice to Buyer if:

(i) there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Section 7.3 and such breach, inaccuracy or failure is incapable of being cured by Buyer by the End Date

(unless the failure results primarily from Sellers themselves breaching any representation, warranty, covenant or agreement made by them pursuant to this Agreement); or

(ii) any of the conditions set forth in Section 7.1 or 7.3 shall not have been fulfilled by the End Date, unless such failure shall be due to the failure of Sellers to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by them prior to the Closing; or

(d) by Buyer or Sellers in the event that:

(i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited; or

(ii) any Governmental Authority shall have issued an order restraining or enjoining the transactions contemplated by this Agreement, and such order shall have become final and nonappealable.

9.2 Effect of Termination. In the event of the termination of this Agreement in accordance with this Article, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any party hereto except (a) as set forth in Section 10.10 and (b) for liability for any breach of any provision hereof arising prior to such termination in accordance with this Section. In the event this Agreement is terminated pursuant to Section 9.1 (other than as a result of a material breach by Buyer of any of its obligations under this Agreement), the Deposit shall be refunded to Buyer in full within two business days after the date of termination. In the event of a termination of this Agreement as a result of a material breach of this Agreement by Buyer of its respective obligations under this Agreement, the Deposit shall be forfeited to and retained by Sellers; provided that such forfeiture shall not limit Sellers remedies for any damages either of them may have incurred in respect of such breach by Buyer. Notwithstanding the foregoing, following termination of this Agreement, neither Buyer on the one hand, nor the Sellers on the other, shall be entitled to recover any monetary damages in respect of any breach of this Agreement prior to such termination in excess of $750,000.

ARTICLE X
GENERAL PROVISIONS

10.1 Entire Agreement; No Third Party Beneficiaries; Amendment; Waiver; Remedies. This Agreement (including the exhibits and schedules attached hereto), the Confidentiality Agreement and the other documents executed and delivered at the Closing pursuant hereto, contain the entire understanding of the parties in respect of the subject matter hereof and thereof and supersede all prior agreements, representations, warranties, covenants and understandings (oral or written) between or among the parties with respect to such subject matter. This Agreement is not intended to confer upon any Person, other than the parties hereto, any rights or remedies hereunder. This Agreement may not be modified, amended, supplemented, canceled or discharged and no waiver hereunder may be granted, except by written instrument executed by all of the parties hereto. No failure to exercise, and no delay in exercising, any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the

exercise of any other right, power or privilege. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between the parties. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of the time for performance of any other obligations or any other acts. The rights and remedies of the parties under this Agreement are in addition to all other rights and remedies, at law or in equity, that they may have against each other.

10.2 Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing, shall be delivered in person, by facsimile or by a nationally recognized overnight delivery and shall be deemed given (a) when delivered in person, (b) on the business day sent by facsimile, if sent before 5 p.m. on such business day, and if sent after 5 p.m., on the next business day, or (c) the business day after delivered to a nationally recognized overnight courier (postage pre-paid) for next business day delivery, in each case, at the following addresses (or at such other addresses as a party shall designate by written notice to the other party pursuant to this Section):

if to Buyer:

c/o Arthrex, Inc.
1370 Creekside Blvd.
Naples, FL 34108
Attention: Jon Cheek Vice President, Finance
Scott Price Vice President, Legal
Facsimile: (239) 643-5553

with copies (that shall not constitute notice) to:

McDermott Will & Emery LLP
227 West Monroe St.
Chicago, IL 60606
Attention: Scott Williams
Facsimile: (312) 984-7700

if to Sellers:

Cardo Medical, Inc.
10 Clifton Blvd.
Suite B1
Clifton NJ 07011
Attn: Andrew Brooks, M.D.
Facsimile: (310) 861-5299

with copies (that shall not constitute notice) to:

4400 Biscayne Blvd.
6th Floor

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Miami, FL 33137
Attention: Joshua Weingard
Facsimile: 305-575-4130
and
Akerman Senterfitt
One SE third Ave.
Suite 2500
Miami, FL 33131
Attention: Mary V. Carroll
Facsimile: (305) 349-4764

10.3 Expenses; Legal Fees. In connection with this Agreement or any transaction contemplated hereby, each party shall pay its respective expenses, including, but not limited to, legal, accounting, brokers and investment banking fees and expenses. In the event of any dispute relating to this Agreement, the non-prevailing party shall pay the expenses and costs of the prevailing party, including but not limited to legal fees and costs.

10.4 Binding Effect; Assignment. The rights and obligations of this Agreement shall bind and inure to the benefit of the parties and their respective successors and assigns and shall be enforceable by any such successors and assigns. This Agreement and any rights and obligations hereunder (a) may not be assigned by Buyer without the prior written consent of Sellers and (b) may not be assigned by either Seller without the prior written consent of Buyer, in each case, which will not be unreasonably withheld; provided, however, that Buyer may without the consent of Sellers (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases Buyer nonetheless shall remain responsible for the performance of all of its obligations hereunder), (ii) assign its rights under this Agreement for collateral security purposes to any lenders providing financing to Buyer or any of its Subsidiaries or Affiliates, or (iii) assign its rights (or any portion thereof) under this Agreement to any Asset Purchaser subject to the terms of Section 2.2; and provided further that each Seller may without the consent of Buyer assign any or all of its rights and interests hereunder to one or more of its Affiliates and designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases such Seller nonetheless shall remain responsible for the performance of all of its obligations hereunder) (provided that Seller may not, without the prior written consent of Buyer, assign any or all of its rights and interests in the Royalty to one or more of its Affiliates in a manner that results in either (x) there being more than one payee with respect to the Royalty or (y) Buyer being required to comply with federal or state securities Laws with respect to the issuance or transfer of the Royalty)).

10.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument. A facsimile or .pdf signature of any party shall be considered to have the same binding legal effect as an original signature.

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10.6 **Severability.** If any word, phrase, sentence, clause, section, subsection or provision of this Agreement as applied to any party or to any circumstance is adjudged by a court to be invalid or unenforceable, the same will in no way affect any other circumstance or the validity or enforceability of any other word, phrase, sentence, clause, section, subsection or provision of this Agreement.

10.7 **Interpretation.** When a reference is made in this Agreement to an article, section, paragraph, clause, schedule or exhibit, such reference shall be deemed to be to this Agreement unless otherwise indicated. The headings contained herein and on the schedules are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or the schedules. Whenever the words include, includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation. As used herein, words in the singular will be held to include the plural and vice versa (unless the context otherwise requires), words of one gender shall be held to include the other gender (or the neuter) as the context requires, and the terms hereof , herein , and herewith and words of similar import will, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement.

10.8 **Arm s Length Negotiations**. Each party herein expressly represents and warrants to all other parties hereto that (a) before executing this Agreement, said party has fully informed itself of the terms, contents, conditions and effects of this Agreement; (b) said party has relied solely and completely upon its own judgment in executing this Agreement; (c) said party has had the opportunity to seek and has obtained the advice of its own legal, tax and business advisors before executing this Agreement; and (d) this Agreement is the result of arm s length negotiations conducted by and among the parties and their respective counsel.

10.9 **Construction.** The parties agree and acknowledge that they have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumptions or burdens of proof shall arise favoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

10.10 **Specific Performance.** The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to seek specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

10.11 **Exhibits and Schedules.**

(a) Any matter, information or item disclosed in this Agreement or the Disclosure Schedules delivered by a party or in any of the Schedules or Exhibits attached hereto, under any specific representation, warranty, covenant or Schedule heading number, shall be deemed to have been disclosed for all purposes of this Agreement in response to every representation, warranty or covenant in this Agreement in respect of which the applicability of such disclosure is reasonably apparent on its face. The inclusion of any matter, information or

item in any Schedule to this Agreement shall not be deemed to constitute an admission of any liability to any third party or otherwise imply, that any such matter, information or item is material or creates a measure for materiality for the purposes of this Agreement or otherwise.

(b) The Schedules and Exhibits hereto are hereby incorporated into this Agreement and are hereby made a part hereof as if set out in full in this Agreement.

10.12 Governing Law and Venue; Waiver of Jury Trial.

(a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF FLORIDA, WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts of the State of Florida and the federal courts of the United States of America located in the State of Florida in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a Florida state or federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided herein or in such other manner as may be permitted by applicable Law, shall be valid and sufficient service thereof.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.13 Indemnification Procedures.

(a) **Third-Party Claims.** If an Indemnified Party receives notice of the assertion or commencement of any action, suit, claim or other legal proceeding, other than an Infringement Claim, made or brought by any Person who is not a party to this Agreement (a Third-Party Claim) against such Indemnified Party with respect to which Sellers (the Indemnifying Parties) are subject to indemnification under Section 1.5, the Indemnified Party shall give the Indemnifying Parties prompt written notice thereof. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Parties of their indemnification obligations, except and only to the extent that the Indemnifying Parties forfeit rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Third-Party Claim in reasonable detail, shall include copies of all documents received with respect thereto, and shall indicate the estimated amount, if reasonably practicable, of the damages that have been or may be sustained by the Indemnified Party. The Indemnifying Parties shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third-Party Claim at the Indemnifying Parties expense and by counsel selected by the Indemnifying Parties that is reasonably acceptable to the Indemnified Party, and the Indemnified Party shall cooperate in good faith in such defense; provided, that the Indemnifying Parties shall only have the right to assume the defense of such Third-Party Claim if (i) the Indemnifying Party notifies the Indemnified Party in writing within 15 days after the Indemnified Party has given notice of the Third-Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any Losses the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third-Party Claim, (ii) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Third-Party Claim and fulfill its indemnification obligations hereunder, (iii) the Third-Party Claim involves only money damages and does not seek an injunction or other equitable relief, and (iv) the Indemnifying Party conducts the defense of the Third-Party Claim actively and diligently. In the event that the Indemnifying Parties assume the defense of any Third-Party Claim, subject to Section 10.13(b), they shall have the right to take such action as they deem necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third-Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right, at its own cost and expense, to participate in the defense of any Third-Party Claim with counsel selected by it subject to the Indemnifying Parties right to control the defense thereof. If the Indemnifying Parties (A) elect not to compromise or defend such Third-Party Claim, (B) fail to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement or (C) fails to actively and diligent conduct the defense of the Third-Party Claim, the Indemnified Party may, subject to Section 10.13(b), pay, compromise, defend such Third-Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third-Party Claim. Sellers and Buyer shall cooperate with each other in all reasonable respects in connection with the defense of any Third-Party Claim.

(b) **Settlement of Third-Party Claims.** Notwithstanding any other provision of this Agreement, the Indemnifying Parties shall not enter into settlement of any Third-Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed), except to the extent that the settlement offer (a) does not result in any liability or the creation of a financial or other obligation on the part of the Indemnified Party and (b) provides, in customary form, for the complete and unconditional

release of each Indemnified Party from all claims, liabilities and obligations of any kind or nature arising out of, or related to, the events, facts, conditions or circumstances underlying such Third-Party Claim. If the Indemnified Party has assumed the defense pursuant to Section 10.13(a), it shall not agree to any settlement without the written consent of the Indemnifying Parties (which consent shall not be unreasonably withheld or delayed).

(c) **Direct Claims.** Any claim by an Indemnified Party pursuant to Section 1.5 that does not result from a Third-Party Claim (a Direct Claim) shall be asserted by the Indemnified Party giving the Indemnifying Parties prompt written notice thereof. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Parties of their indemnification obligations, except and only to the extent that the Indemnifying Parties forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the damages that has been or may be sustained by the Indemnified Party. The Indemnifying Parties shall have twenty (20) days after their receipt of such notice to respond in writing to such Direct Claim. If the Indemnifying Parties do not so respond within such twenty (20)-day period, the Indemnifying Parties shall be deemed to have accepted responsibility for such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party to enforce such responsibility on the terms and subject to the provisions of this Agreement.

[Signature Page To Follow]

Table of Contents

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

CARDO MEDICAL, INC.

By: /s/ Andrew A. Brooks M.D.
Name: Andrew Brooks M.D.
Title: CEO

CARDO MEDICAL, LLC

By: /s/ Andrew A. Brooks
Name: Andrew Brooks M.D.
Title: CEO

ARTHREX, INC.

By: /s/ R. Scott Price, VP
Name: R. Scott Price
Title: V.P.

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EXHIBIT A

DEFINITIONS

Affiliate, with respect to a Person, shall have the meaning ascribed to it in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on the date hereof, and shall also mean all family members of such Person.

Assumed Liabilities means the executory obligations of Sellers under all Contracts listed on Schedule 1.2(i) and open purchase orders entered into in the ordinary course of business (but, in each case, only to the extent such liabilities and obligations do not arise out of a violation, breach or failure to pay or perform under such Contract which obligation or payment was due prior to Closing).

Closing Asset Value means the amount of Sellers Inventory and Property Plant & Equipment included in the Purchased Assets as of the Closing Date, calculated in accordance with Section 2.5(a).

Code means the Internal Revenue Code of 1986, as amended, and treasury regulations promulgated thereunder.

Confidentiality Agreement means that certain Confidentiality Agreement, dated as of October 18, 2010, by and between Cardo Medical and Buyer.

Contract means any agreement, contract, lease, note, mortgage, indenture, loan agreement, franchise agreement, covenant, employment agreement, license, instrument, purchase and sales order, commitment, undertaking, obligation, whether written or oral, to which any Seller is a party.

Current Balance Sheet means the consolidated balance sheet of Cardo Medical as of September 30, 2010 included with its Quarterly Report on Form 10-Q for the period ended September 30, 2010 filed with the SEC on November 22, 2010.

End Date means ninety (90) days following the date hereof.

Environmental Claim means any action, suit, claim, investigation or other legal proceeding by any Person alleging liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (a) the presence, Release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any Environmental Permit.

Environmental Law means any applicable Law, and any Governmental order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or

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subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials. The term Environmental Law includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, 42 U.S.C. §§ 6901 et seq.; the Clean Water Act, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act, 42 U.S.C. §§ 7401 et seq.; and the Occupational Safety and Health Act, 29 U.S.C. §§ 651 et seq., each as amended.

Environmental Notice means any written directive, notice of violation or infraction, or notice with respect to any Environmental Claim relating to an actual or alleged non-compliance with any Environmental Law or any term or condition of any Environmental Permit.

Environmental Permit means any Permit issued, granted, given, authorized by or made pursuant to Environmental Law.

ERISA means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Excluded Assets means (i) all original corporate minute books and stock records of each Seller, and all qualifications to conduct business as a foreign entity, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals and other documents relating to the organization, maintenance and existence of each Seller as a business entity, (ii) all interest, rights and benefits of each Seller under any and all Contracts between such Seller and any Affiliate of a Seller, (iii) all interest, rights and benefits under any Benefit Plans, (iv) any and all Contracts other than those set forth on Schedule 1.2(i), (v) all cash, cash equivalents, certificates of deposit, bankers acceptances, government securities, other cash equivalent investment securities and intercompany accounts, notes and other receivables, (vi) all receivables and accounts receivable of each Seller, including without limitation all trade accounts receivables, notes receivable, receivables arising as a result of contracts in transit and receivables from manufacturers, customers, networks, insurance companies, service contract providers and any other vendors or suppliers of each Seller and all claims of each Seller for money due and owing, (vii) all claims, refunds, credits, causes of action, choses in action, rights of recovery and rights of setoff and all rights to receive mail and communications, in each case to the extent related to the Excluded Assets or the Excluded Liabilities, (viii) all rights and interests in and to the bank accounts set forth on Schedule 1.2(viii), (ix) each Seller s rights under or pursuant to this Agreement and the schedules and exhibits hereto and any other agreement or document executed and delivered by any Seller in connection herewith, (x) and rights and claims under warranties extended by suppliers, vendors, contractors and manufacturers with respect to the Excluded Assets or Excluded Liabilities or any products or services sold prior to the Closing Date, (xi) the ownership interests of Cardo Medical, LLC, (xii) all prepaid items and deposits of each Seller, including without limitation, prepaid rentals, insurance, taxes, unbilled charges and any security deposit paid by any Seller pursuant to any real property lease, (xiii) all real property

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leases of any Seller and all leasehold improvements, (ix) all outstanding options, warrants or agreements relating to the issuance of any securities of either Seller, (x) all Spinal Assets, (xi) all operating data and records of each Seller that do not relate primarily to the Business, (xii) all customer data, vendor data, subscriber lists, manuals and business procedures, in each case that do not relate primarily to the Business, (xiii) all Intangible Property other than Seller Intangible Property and (xiv) any Permit not listed or required to be listed on Schedule 5.13(b).

Excluded Liabilities shall mean any and all debts, liabilities and obligations of any Seller whether accrued or fixed, absolute or contingent, matured or unmatured, other than the Assumed Liabilities, including without limitation, (i) liabilities and obligations arising from any debt of any Sellers; (ii) liabilities and obligations related to or arising from transactions with any Affiliate of Sellers; (iii) liabilities and obligations for Taxes of any kind relating to pre-Closing periods; (iv) liabilities and obligations for damage or injury (real or alleged) to person or property arising from the ownership, possession or use of any product manufactured, assembled, processed, treated, distributed, sold or serviced, directly or indirectly, by Sellers, or any service rendered by Sellers, in each case prior to the Closing, including any product liability and product warranty claims; (v) liabilities and obligations to employees, including those for accident, disability, health (including unfunded medical liabilities) and worker s compensation insurance or benefits, and all other liabilities and obligations to employees arising from events or occurrences prior to the Closing; (vi) liabilities and obligations arising from or relating to claims or liabilities for benefits or pay under any Benefit Plan or any severance payment arising prior to the Closing, including those related to any alleged termination of employment prior to the Closing, including WARN liabilities arising from actions taken or not taken by either Seller prior to the Closing; (vii) liabilities and obligations for expenses, Taxes or fees incurred by Sellers, incidental to the preparation of this Agreement, preparation or delivery of materials or information requested by Buyer, and the consummation of the transactions contemplated hereby, including all broker, counsel and accounting fees and transfer Taxes (except as provided in Section 6.3); (viii) liabilities and obligations relating to or arising from litigation or any other disputes with third parties, if any, pending against either Seller as of the Closing or, to the knowledge of each of Sellers, threatened in writing against either Seller, prior to the Closing Date; (ix) liabilities and obligations related to Excluded Assets; (x) liabilities and obligations due to products sold or services rendered by Sellers or any of their predecessors or Affiliates prior to the Closing with respect to any litigation or disputes concerning the Seller Intangible Property, including actions alleging infringement or misappropriation by the Business with respect to such products or services; (xi) liabilities and obligations arising from or in connection with any administrative ruling or other order, stipulation or decree of any federal, state or local agency, or the violation of any federal, state or local Law, in each case by or against any Seller or the Purchased Assets relating to events and circumstances prior to the Closing; (xii) liabilities and obligations relating to the operation prior to Closing of the facilities of Sellers or any other real property, buildings, improvements or other premises utilized by any of Sellers or their Affiliates (excluding liabilities relating to Buyer s operations under the Sublease after the Closing), including liabilities arising from any Environmental Law; and (xiii) all other liabilities and obligations of Sellers or related to the operation of the Business prior to Closing (other than Assumed Liabilities).

FDA Act means the United States Federal Food, Drug and Cosmetic Act, as amended, and the regulations promulgated thereunder, as amended from time to time.

GAAP means generally accepted accounting principles in effect in the United States of America.

Governmental Authority means any nation or government, any state, regional, local or other political subdivision thereof, and any entity or official exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

Hazardous Materials means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls.

Knowledge means (i) in the case of Sellers, the actual knowledge, following reasonable inquiry, of each of Andrew Brooks, M.D., Michael Kvitnitsky and Derrick Romine and (i) in the case of Buyer, the actual knowledge, following reasonable inquiry, of each of Reinhold Schmieding, Jon Cheek and Scott Price.

Law means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority.

Lien means any mortgage, pledge, security interest, encumbrance, lien, restriction on transfer, right of first refusal, pre-emptive right, claim, adverse claim, priority, hypothecation or charge of any kind.

Material Adverse Effect means, any change or effect that, individually or in the aggregate with any such other changes or effects, is materially adverse to the Business, assets, financial condition or results of operations of Sellers, taken as a whole, or that will materially adversely affect the ability of Sellers, to perform their obligations under this Agreement or consummate the transactions contemplated hereby, provided, however, that Material Adverse Effect shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) any changes, conditions or effects in the United States or foreign economies or securities or financial markets in general; (ii) changes, conditions or effects that affect the industries in which the Sellers operate; (iii) any change, effect or circumstance resulting from the announcement of this Agreement or an action required by this Agreement; or (iv) conditions caused by acts of terrorism or war (whether or not declared) or any natural or man-made disaster or other acts of God (in the case of subclauses (i), (ii) and (iv) above, which changes or effects, individually or in the aggregate, do not disproportionately affect the Business or the Purchased Assets, taken as a whole vis-à-vis other businesses in the same industries as Sellers).

Permit means any license, permit, certificate, declaration, validation, exemption, consent, franchise, accreditation, registration, or other authorization or approval, issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law.

Permitted Liens means (i) Liens for Taxes not yet delinquent or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings, (ii) purchase money Liens, (iii) Liens of lessors, lessees, sublessors, sublessees, licensors or licensees arising under lease arrangements or license arrangements identified on Schedule 5.17(a), (iv) mechanics Liens and similar Liens for labor, materials, or supplies for amounts that are not delinquent, (iv) zoning, building codes, and other land use Laws regulating the use or occupancy of leased real property under the Leases or the activities conducted thereon that are imposed by any Governmental Authority having jurisdiction over such leased real property; and (v) easements, servitudes, covenants, conditions, restrictions, and other similar matters affecting title to any assets of the Sellers and other title defects that do not or would not materially impair the use or occupancy of such assets in the operation of the Business taken as a whole.

Person means an individual, partnership, corporation, business trust, joint stock, company, estate, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

Purchased Assets means all right, title and interest in and to all of each Seller s assets, properties and business of every kind and description of any nature whatsoever, whether real, personal or mixed, tangible or intangible, contingent or otherwise, wherever located, as shall exist on the Closing Date, except the Excluded Assets. Without limiting the generality of the foregoing, the Purchased Assets shall include, but not be limited to, the following (except to the extent the same are Excluded Assets): (a) all machinery, equipment, tools, inventory, supplies, furniture and fixtures, trucks, automobiles, vehicles, containers, personal property, computer equipment and computer software owned by each Seller; (b) all of the rights and benefits accruing to any Seller under the Contracts set forth on Schedule 1.2(i) and rights and claims under warranties extended by suppliers, vendors, contractors, manufacturers with respect to the Purchased Assets and Assumed Liabilities; (c) all Seller Intangible Property, including without limitation, the rights to use the names presently and previously used by such Seller (including, but not limited to Cardo Medical); (d) subject to the terms of Section 1.3, all Permits listed or required to be listed on Schedule 5.13(b), in each case, to the extent assignable; (e) all operating data and records of each Seller relating primarily to the Business, including without limitation, customer lists and records, financial, accounting and credit records, correspondence, budgets and other similar documents and records, and all of each Seller s telephone and post office boxes, and all books and records (including all data and other information stored on discs, tapes or other media) of each Seller, in each case relating primarily to the Business; (f) all customer data, vendor data, subscriber lists, manuals and business procedures, in each case related primarily to the Business; (g) all claims, rights of offset or causes of action against third parties relating to any of the Assumed Liabilities; (h) all goodwill associated with the Business; (i) all such other assets and rights set forth on Schedule 1.1; and (j) all other assets, properties and rights of every kind used primarily in connection with the Business, whether known or unknown, fixed or unfixed, accrued, absolute, contingent or otherwise (except the Excluded Assets).

Release means any release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

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

SEC Reports means all forms and reports required to be filed by Cardo Medical with the SEC beginning with the Annual Reports on Form 10-K for the period ended December 31, 2009 until the date hereof.

Securities Act means the Securities Act of 1933, as amended.

Solvent means, that, with respect to any Person, as of a particular date (a) the fair value of the property of such Person is greater than the total amount of the liabilities of such Person; (b) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay the liabilities of such Person on its debts as they become due; (c) such Person is able to realize upon its assets and pay its debts, liabilities, contingent obligations and other commitments as they mature in the ordinary course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person s ability to pay such debts and liabilities as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person s property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged.

Spinal Assets means all right, title and interest in and to all of each Seller s assets, properties and other rights related to or used in connection with its spinal surgical device business that are set forth on Schedule 1.2(x).

Taxes means all taxes, fees, charges, or other assessments, including, but not limited to, sales, value added, income, excise, property, sales, use, payroll, franchise, intangible, withholding, social security and unemployment taxes imposed by any federal, state, local or foreign governmental agency, and any interest or penalties related thereto.

Tax Return means any tax return, disclosure, filing, information statement or other form required to be filed with any Government Authority in connection with or with respect to any Taxes.

Transaction Documents means this Agreement and each of the other agreements and documents to be delivered in connection herewith.

Other Definitions. The following terms shall have the meanings indicated in the corresponding sections of this Agreement listed below:

Term	Section
Accounting Firm	2.5(d)
Agreement	Preamble
Allocation Schedule	2.3
Asset Purchaser	2.2(a)
Asset Sale Transaction	2.2(a)
Benefit Plans	5.15(a)
Bill of Sale	7.2(c)(v)

Term	Section
Business	Recitals
Business Employee	5.14(c)
Buyer	Preamble
Cardo Medical	Preamble
Closing	3.1
Closing Date	3.1
Closing Asset Value Statement	2.5(b)
COBRA	5.15(d)
Confidential Information	6.10
Consents	6.11(b)
Consulting/Employment Agreements	7.2(c)(vi)
Deposit	2.1
Direct Claim	10.13(c)
Disclosure Schedule	Article IV
Dispute Notice	2.5(c)
Disputed Item	2.5(c)
ERISA	5.15(a)
Escrow Agreement	2.4
Escrow Amount	2.4
Estimated Cash Consideration	2.5(a)
Estimated Closing Asset Value	2.5(a)
Estimated Closing Asset Value Statement	2.5(a)
Financial Statements	5.7(b)
HIPAA	5.15(d)
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Indemnifying Parties	10.13
Infringement Claims	2.2(b)
Intangible Property	5.18
Leases	5.11
Material Contracts	5.17(a)
Material Vendors	6.17
Net Sales	2.2(a)
Purchase Price	2.1
Rights	1.3(b)
Royalty	2.2(a)
Royalty Term	2.2(a)
Seller(s)	Preamble
Seller Intangible Property	5.18
Seller Product Liability Insurance	6.13
Stockholder Approval	5.2
Subject Products	2.2(a)
Transferred Employees	6.5
Vendor Payment Amount	6.17

EXHIBIT B
ESCROW AGREEMENT

THIS ESCROW AGREEMENT (as the same may be amended or modified from time to time pursuant hereto, this (Agreement) is made and entered into as of [________], 2011, by and among [___________________], a [_____________________] (Purchaser), Cardo Medical, Inc., a Delaware corporation (Seller , and together with Purchaser, sometimes referred to individually as Party or collectively as the Parties), and JPMorgan Chase Bank, National Association (the Escrow Agent).

WHEREAS, pursuant to that certain Asset Purchase Agreement, dated as of January [__] 2011, between Purchaser, Seller and the other parties named therein (the Asset Purchase Agreement), the Parties have agreed to deposit in escrow certain funds and wish such deposit to be subject to the terms and conditions set forth herein. Capitalized terms used in this Agreement without definition shall have the respective meanings given to them in the Asset Purchase Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the Parties and the Escrow Agent agree as follows:

1. **Appointment**. The Parties hereby appoint the Escrow Agent as their escrow agent for the purposes set forth herein, and the Escrow Agent hereby accepts such appointment under the terms and conditions set forth herein.

2. **Fund.** Purchaser agrees to deposit with the Escrow Agent the sum of $1,000,000 (the Escrow Deposit). The Escrow Agent shall hold the Escrow Deposit and, subject to the terms and conditions hereof, shall invest and reinvest the Escrow Deposit and the proceeds thereof (the Fund) as directed in Section 3.

3. **Investment of Fund.** During the term of this Agreement, the Fund shall be invested in a JPMorgan Money Market Deposit Account (MMDA), or a successor or similar investment offered by the Escrow Agent, unless otherwise instructed in writing by the Parties and as shall be acceptable to the Escrow Agent. MMDA have rates of compensation that may vary from time to time based upon market conditions. Instructions to make any other investment (Alternative Investment) must be in writing, signed by the Parties, and shall specify the type and identity of the investments to be purchased and/or sold. The Escrow Agent is hereby authorized to execute purchases and sales of investments through the facilities of its own trading or capital markets operations or those of any affiliated entity. The Escrow Agent or any of its affiliates may receive compensation with respect to any Alternative Investment directed hereunder including without limitation charging any applicable agency fee in connection with each transaction. The Parties recognize and agree that the Escrow Agent will not provide supervision, recommendations or advice relating to either the investment of moneys held in the Fund or the purchase, sale, retention or other disposition of any investment described herein. The Escrow Agent shall not have any liability for any loss sustained as a result of any investment in an investment made pursuant to the terms of this Agreement or as a result of any liquidation of any investment prior to its maturity or for the failure of the Parties to give the Escrow Agent instructions to invest or reinvest the Fund. The Escrow Agent shall have the right to liquidate any investments held in order to provide funds necessary to make required payments under this Agreement.

4. **Disposition and Termination.** (a) From time to time on or before [__________], 2012, Purchaser may give a written notice (a Notice) to Seller and Escrow Agent of (i) a claim relating to an adjustment to the purchase price based upon the Closing Asset Value (a Purchase Price Adjustment Claim) or (ii) any claim in accordance with the terms of Section 1.5 of the Asset Purchase Agreement (a General Claim). The Notice shall specify in reasonable detail the nature of the Purchase Price Adjustment Claim or the General Claim, as the case may be, and the amount claimed from the Fund. If Seller gives notice to Purchaser and Escrow Agent disputing such Purchase Price Adjustment Claim or General Claim, as the case may be (a Counter Notice), by no later than 5:00PM, New York time on the tenth (10) day following receipt by Escrow Agent and Seller of the Notice regarding said Purchase Price Adjustment Claim or General Claim, such Purchase Price Adjustment Claim or

General Claim shall be resolved as provided in Section 4(b) below. If no Counter Notice is received by Escrow Agent within such 10-day period, then on the Business Day following the end of such 10-day period, Escrow Agent shall pay to Purchaser the dollar amount claimed in the Notice, up to the amount of the Fund that remains in escrow pursuant to this Agreement at such time. Escrow Agent shall not inquire into or consider whether the subject Purchase Price Adjustment Claim or General Claim complies with the requirements of the Asset Purchase Agreement. Each Notice from the Purchaser shall state that it is a Purchase Price Adjustment Claim or General Claim delivered pursuant to Section 4(a) of this Agreement.

(b) If a Counter Notice is given with respect to a claim, Escrow Agent shall make payment with respect thereto only in accordance with (i) joint written instructions of Purchaser and Seller indicating that the Parties have reached an agreement with respect to the release of the Fund and setting forth the terms upon which such funds must be released, (ii) the report of the Accounting Firm, in the case of a Purchase Price Adjustment Claim, delivered along with joint instructions from the Purchaser and Seller, or (iii) a final non-appealable order of a court of competent jurisdiction stipulating the terms upon which such funds must be released, along with a certification from the prevailing party stating that the court order is final and non-appealable (such delivery in item (b)(i), (b)(ii) or (b)(iii), the Release Instructions). Escrow Agent shall thereafter pay to Purchaser and/or Seller (on behalf of itself and Cardo Medical, LLC), as the case may be, any dollar amounts due to it in accordance with the Release Instructions, up to the amount of the Fund that remains in escrow pursuant to this Agreement at such time.

(c) On [__________], 2012, Escrow Agent shall pay and distribute to Seller (on behalf of itself and Cardo Medical, LLC) an amount equal to the excess of the then remaining Fund over the aggregate dollar amount of (i) any then outstanding Purchase Price Adjustment Claim or General Claim for which a Notice was delivered by Purchaser on or prior to [__________], 2012 plus (ii) any amounts that remain unsatisfied pursuant to pending Release Instructions.

(d) Upon delivery of the Fund by the Escrow Agent, this Agreement shall terminate, subject to the provisions of Section 8(b).

5. **Escrow Agent**. (a) The Escrow Agent shall have only those duties as are specifically and expressly provided herein, which shall be deemed purely ministerial in nature, and no other duties shall be implied. The Escrow Agent shall neither be responsible for, nor chargeable with, knowledge of, nor have any requirements to comply with, the terms and conditions of any other agreement, instrument or document between the Parties, in connection herewith, if any, including without limitation the Asset Purchase Agreement, nor shall the Escrow Agent be required to determine if any person or entity has complied with any Asset Purchase Agreement, nor shall any additional obligations of the Escrow Agent be inferred from the terms of any Asset Purchase Agreement, even though reference thereto may be made in this Agreement. In the event of any conflict between the terms and provisions of this Agreement, those of the Asset Purchase Agreement**,** any schedule or exhibit attached to this Agreement, or any other agreement among the Parties, the terms and conditions of this Agreement shall control. The Escrow Agent may rely upon and shall not be liable for acting or refraining from acting upon any written notice, document, instruction or request furnished to it hereunder and reasonably believed by it to be genuine and to have been signed or presented by the proper Party or Parties without inquiry and without requiring substantiating evidence of any kind. The Escrow Agent shall not be liable to any Party, any beneficiary or other person for refraining from acting upon any instruction setting forth, claiming, containing, objecting to, or related to the transfer or distribution of the Fund, or any portion thereof, unless such instruction shall have been delivered to the Escrow Agent in accordance with Section 11 below and the Escrow Agent has been able to satisfy any applicable security procedures as may be required thereunder. The Escrow Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document, notice, instruction or request. The Escrow Agent shall have no duty to solicit any payments which may be due it or the Fund, including, without limitation, the Escrow Deposit nor shall the Escrow Agent have any duty or obligation to confirm or verify the accuracy or correctness of any amounts deposited with it hereunder.

(b) The Escrow Agent shall not be liable for any action taken, suffered or omitted to be taken by it in good faith except to the extent that a final adjudication of a court of competent jurisdiction determines that the Escrow Agent s gross negligence or willful misconduct was the primary cause of any loss to either Party. The Escrow Agent may execute any of its powers and perform any of its duties hereunder directly or through affiliates or agents. The Escrow Agent may consult with counsel, accountants and other skilled persons to be selected and retained by it. The

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Escrow Agent shall not be liable for any action taken, suffered or omitted to be taken by it in accordance with, or in reliance upon, the advice or opinion of any such counsel, accountants or other skilled persons. In the event that the Escrow Agent shall be uncertain or believe there is some ambiguity as to its duties or rights hereunder or shall receive instructions, claims or demands from any Party hereto which, in its opinion, conflict with any of the provisions of this Agreement, it shall be entitled to refrain from taking any action and its sole obligation shall be to keep safely all property held in escrow until it shall be given a direction in writing by the Parties which eliminates such ambiguity or uncertainty to the satisfaction of Escrow Agent or by a final and non-appealable order or judgment of a court of competent jurisdiction. The Parties agree to pursue any redress or recourse in connection with any dispute without making the Escrow Agent a party to the same. Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, incidental, punitive, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

6. **Succession.** (a) The Escrow Agent may resign and be discharged from its duties or obligations hereunder by giving thirty (30) days advance notice in writing of such resignation to the Parties specifying a date when such resignation shall take effect. If the Parties have failed to appoint a successor escrow agent prior to the expiration of thirty (30) days following receipt of the notice of resignation, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor escrow agent or for other appropriate relief, and any such resulting appointment shall be binding upon all of the Parties hereto. Escrow Agent s sole responsibility after such thirty (30) day notice period expires shall be to hold the Fund (without any obligation to reinvest the same) and to deliver the same to a designated substitute escrow agent, if any, or in accordance with the directions of a final order or judgment of a court of competent jurisdiction, at which time of delivery Escrow Agent s obligations hereunder shall cease and terminate, subject to the provisions of Sections 7 and 8 hereunder.

(b) Any entity into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any entity to which all or substantially all the escrow business may be transferred, shall be the Escrow Agent under this Agreement without further act.

7. **Compensation and Reimbursement.** The Parties agree jointly and severally (a) to pay the Escrow Agent upon execution of this Agreement and from time to time thereafter reasonable compensation for the services to be rendered hereunder, along with any fees or charges for accounts, including those levied by any governmental authority which the Escrow Agent may impose, charge or pass-through, which, in each case, unless otherwise agreed in writing, shall be as described in Schedule 2 attached hereto, and (b) to pay or reimburse the Escrow Agent upon request for all expenses, disbursements and advances, including, without limitation reasonable attorney s fees and expenses, incurred or made by it in connection with the performance, modification and termination of this Agreement. The obligations set forth in this Section 7 shall survive the resignation, replacement or removal of the Escrow Agent or the termination of this Agreement. Such compensation, fees, charges, expenses, disbursements, and advances payable to the Escrow Agent shall be borne 50% by Purchaser and 50% by Seller.

8. **Indemnity.** The Parties shall jointly and severally, , indemnify, defend and save harmless the Escrow Agent and its affiliates and their respective successors, assigns, agents and employees (the Indemnitees) from and against any and all losses, damages, claims, liabilities, penalties, judgments, settlements, litigation, investigations, costs or expenses (including, without limitation, the fees and expenses of outside counsel and experts and their staffs and all expense of document location, duplication and shipment)(collectively Losses), arising out of or in connection with (i) the Escrow Agent s execution and performance of this Agreement, tax reporting or withholding, the enforcement of any rights or remedies under or in connection with this Agreement, or as may arise by reason of any act, omission or error of the Indemnitee, except in the case of any Indemnitee to the extent that such Losses are finally adjudicated by a court of competent jurisdiction to have been primarily caused by the gross negligence or willful misconduct of such Indemnitee, or (ii) its following any instructions or other directions, whether joint or singular, from the Parties, except to the extent that its following any such instruction or direction is expressly forbidden by the terms hereof. The indemnity obligations set forth in this Section 8 shall survive the resignation, replacement or removal of the Escrow Agent or the termination of this Agreement.

9. **Patriot Act Disclosure/Taxpayer Identification Numbers/Tax Reporting.**

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(a) **Patriot Act Disclosure.** Section 326 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act) requires the Escrow Agent to implement reasonable procedures to verify the identity of any person that opens a new account with it. Accordingly, the Parties acknowledge that Section 326 of the USA PATRIOT Act and the Escrow Agent s identity verification procedures require the Escrow Agent to obtain information which may be used to confirm the Parties identities including without limitation name, address and organizational documents (identifying information). The Parties agree to provide the Escrow Agent with and consent to the Escrow Agent obtaining from third parties any such identifying information required as a condition of opening an account with or using any service provided by the Escrow Agent.

(b) **Certification and Tax Reporting.** The Parties have provided the Escrow Agent with their respective fully executed Internal Revenue Service (IRS) Form W-8, or W-9 and/or other required documentation. All interest or other income earned under this Agreement shall be allocated to the Seller and reported, as and to the extent required by law, by the Escrow Agent to the IRS, or any other taxing authority, on IRS Form 1099 or 1042S (or other appropriate form) as income earned from the Escrow by the Seller whether or not said income has been distributed during such year. Escrow Agent shall withhold any taxes it deems appropriate in the absence of proper tax documentation or as required by law, and shall remit such taxes to the appropriate authorities. The Parties hereby represent and warrant to the Escrow Agent that (i) there is no sale or transfer of an United States Real Property Interest as defined under IRC Section 897(c) in the underlying transaction giving rise to this Agreement; and (ii) such underlying transaction does not constitute an installment sale requiring any tax reporting or withholding of imputed interest or original issue discount to the IRS or other taxing authority.

10. **Notices.** All communications hereunder shall be in writing and except for communications from the Parties setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of funds, including but not limited to funds transfer instructions (all of which shall be specifically governed by Section 11 below), shall be deemed to be duly given and received:

(a) upon delivery, if delivered personally, or upon confirmed transmittal, if by facsimile;

(b) on the next Business Day (as hereinafter defined) if sent by overnight courier; or

(c) four (4) Business Days after mailing if mailed by prepaid registered mail, return receipt requested,

to the appropriate notice address set forth below or at such other address as any Party or the Escrow Agent may have furnished to the other Parties and the Escrow Agent in writing by registered mail, return receipt requested.

If to Purchaser	c/o Arthrex, Inc. 1370 Creekside Blvd. Naples, FL 34108 Attention: Jon Cheek Vice President, Finance Tel No.: (239) 598-4302 Fax No.: (239) 643-5553
If to Seller	Cardo Medical, Inc. 4400 Biscayne Blvd. 6th Floor Miami, FL 33137 Attention: Joshua Weingard, Esq. Tel No.: (305) 575-4602 Fax No.: (305) 575-4130
If to the Escrow Agent	JPMorgan Chase Bank, N.A.

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Clearance and Agency Services
4 New York Plaza
21st Floor
New York City, NY 10004
Attention: Audrey Mohan/Saverio A. Lunetta
Fax No.: (212) 623-6168

Notwithstanding the above, in the case of communications delivered to the Escrow Agent, such communications shall be deemed to have been given on the date received by an officer of the Escrow Agent or any employee of the Escrow Agent who reports directly to any such officer at the above-referenced office. In the event that the Escrow Agent, in its sole discretion, shall determine that an emergency exists, the Escrow Agent may use such other means of communication as the Escrow Agent deems appropriate. For purposes of this Agreement, Business Day shall mean any day other than a Saturday, Sunday or any other day on which the Escrow Agent located at the notice address set forth above is authorized or required by law or executive order to remain closed.

11. **Security Procedures.** Notwithstanding anything to the contrary as set forth in Section 10, any instructions setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of funds, including but not limited to any such funds transfer instructions that may otherwise be set forth in a written instruction permitted pursuant to Section 4 of this Agreement, may be given to the Escrow Agent only by confirmed facsimile and no instruction for or related to the transfer or distribution of the Fund, or any portion thereof, shall be deemed delivered and effective unless the Escrow Agent actually shall have received such instruction by facsimile at the number provided to the Parties by the Escrow Agent in accordance with Section 10 and as further evidenced by a confirmed transmittal to that number.

(a) In the event funds transfer instructions are received by the Escrow Agent by facsimile, the Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the person or persons designated on Schedule 1 hereto, and the Escrow Agent may rely upon the confirmation of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call-backs may be changed only in a writing actually received and acknowledged by the Escrow Agent. If the Escrow Agent is unable to contact any of the authorized representatives identified in Schedule 1, the Escrow Agent is hereby authorized both to receive written instructions from and seek confirmation of such instructions by telephone call-back to any one or more of Seller s or Purchaser s executive officers, (Executive Officers), as the case may be, which shall include the titles of President, Chief Executive Officer, Vice President, Treasurer or Chief Financial Officer or Chief Legal Officer, as the Escrow Agent may select. Such Executive Officer shall deliver to the Escrow Agent a fully executed incumbency certificate, and the Escrow Agent may rely upon the confirmation of anyone purporting to be any such officer. The Escrow Agent and the beneficiary s bank in any funds transfer may rely solely upon any account numbers or similar identifying numbers provided by Seller or Purchaser to identify (i) the beneficiary, (ii) the beneficiary s bank, or (iii) an intermediary bank. The Escrow Agent may apply any of the Fund for any payment order it executes using any such identifying number, even when its use may result in a person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary s bank or an intermediary bank designated.

(b) Seller acknowledges that the Escrow Agent is authorized to use the following funds transfer instructions to disburse any funds due to Seller under this Agreement without a verifying call-back as set forth in Section 11(a) above:

Seller s Bank account information: Bank name:
Bank Address:
ABA number:
Account name:
Account number:

Purchaser acknowledges that the Escrow Agent is authorized to use the following funds transfer instructions to disburse any funds due to Purchaser under this Agreement without a verifying call-back as set forth in Section 11(a)

above:

Purchaser s Bank account information: Bank name:
Bank Address:
ABA number:
Account name:
Account number:

(c) The Parties acknowledge that the security procedures set forth in this Section 11 are commercially reasonable.

12. **Compliance with Court Orders.** In the event that any escrow property shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the property deposited under this Agreement, the Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all writs, orders or decrees so entered or issued, which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction, and in the event that the Escrow Agent obeys or complies with any such writ, order or decree it shall not be liable to any of the Parties hereto or to any other person, entity, firm or corporation, by reason of such compliance notwithstanding such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

13. **Miscellaneous.** Except for changes to funds transfer instructions as provided in Section 11 (which may be given upon notice to the other Parties and the Escrow Agent by the party electing such change to its own instructions), the provisions of this Agreement may be waived, altered, amended or supplemented, in whole or in part, only by a writing signed by the Escrow Agent and the Parties. Neither this Agreement nor any right or interest hereunder may be assigned in whole or in part by the Escrow Agent or any Party, except as provided in Section 6, without the prior consent of the Escrow Agent and the other Parties. This Agreement shall be governed by and construed under the laws of the State of Florida. Each Party and the Escrow Agent irrevocably waives any objection on the grounds of venue, forum non-conveniens or any similar grounds and irrevocably consents to service of process by mail or in any other manner permitted by applicable law and consents to the jurisdiction of the courts located in Miami-Dade County, Florida. **THE PARTIES HERETO FURTHER HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY WITH RESPECT TO ANY LAWSUIT OR JUDICIAL PROCEEDING ARISING OR RELATING TO THIS AGREEMENT.** No party to this Agreement is liable to any other party for losses due to, or if it is unable to perform its obligations under the terms of this Agreement because of, acts of God, fire, war, terrorism, floods, strikes, electrical outages, equipment or transmission failure, or other causes reasonably beyond its control. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. All signatures of the parties to this Agreement may be transmitted by facsimile or .pdf, and such facsimile or .pdf will, for all purposes, be deemed to be the original signature of such party whose signature it reproduces, and will be binding upon such party. If any provision of this Agreement is determined to be prohibited or unenforceable by reason of any applicable law of a jurisdiction, then such provision shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in such jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction. A person who is not a party to this Agreement shall have no right to enforce any term of this Agreement. The Parties represent, warrant and covenant that each document, notice, instruction or request provided by such Party to Escrow Agent shall comply with applicable laws and regulations. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby irrevocably waived by the Parties and the Escrow Agent to the fullest extent permitted by law, to the end that this Agreement shall be enforced as written. Except as expressly provided in Section 8 above, nothing in this Agreement, whether express or implied, shall be construed to give to any person or entity other than the Escrow Agent and the Parties any legal or equitable right, remedy, interest or claim under or in respect of this Agreement or any funds escrowed hereunder.

[Signatures on next page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.
PURCHASER: [__________________________________]

By:

Name:

Title:

SELLER: CARDO MEDICAL, INC.

By:

Name: Andrew Brooks, M.D.

Title: Chief Executive Officer

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

as Escrow Agent

By:

Name: Saverio A. Lunetta

Title: Vice President

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SCHEDULE 1
Telephone Number(s) and authorized signature(s) for
Person(s) Designated to give Funds Transfer Instructions

If from Purchaser:

	Name	Telephone Number	Signature
1.			
2.			
3.			

If from Seller:

	Name	Telephone Number	Signature
1.			
2.			
3.			

(a) Telephone Number(s) for Call-Backs and

Telephone Number(s) for Call-Backs and
Person(s) Designated to Confirm Funds Transfer Instructions

If from Purchaser:

	Name	Telephone Number
1.		
2.		
3.		

If from Seller:

	Name	Telephone Number
.		

2.

3.

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SCHEDULE 2

Schedule of Fees for Escrow Agent Services

Account Acceptance Fee **$Waived**

Encompassing review, negotiation and execution of governing documentation, opening of the account, and completion of all due diligence documentation. Payable upon closing.

Annual Administration Fee **$2,500**

The Administration Fee covers our usual and customary ministerial duties, including record keeping, distributions, document compliance and such other duties and responsibilities expressly set forth in the governing documents for each transaction. Payable upon closing and annually in advance thereafter, without pro-ration for partial years.

Extraordinary Services and Out-of Pocket Expenses

Any additional services beyond our standard services as specified above, and all reasonable out-of-pocket expenses including attorney s or accountant s fees and expenses will be considered extraordinary services for which related costs, transaction charges, and additional fees will be billed at the Bank s then standard rate. Disbursements, receipts, investments or tax reporting exceeding 25 items per year may be treated as extraordinary services thereby incurring additional charges.

Disclosure & Assumptions

Please note that the fees quoted are based on a review of the transaction documents provided and an internal due diligence review. JPMorgan reserves the right to revise, modify, change and supplement the fees quoted herein if the assumptions underlying the activity in the account, level of balances, market volatility or conditions or other factors change from those used to set our fees.

The escrow deposit shall be continuously invested in a JPMorgan Chase Bank money market deposit account (MMDA) or a JPMorgan Chase Bank Cash Compensation account. MMDA and Cash Compensation Accounts have rates of compensation that may vary from time to time based upon market conditions. The Annual Administration Fee would include a supplemental charge up to 25 basis points on the escrow deposit amount if another investment option were to be chosen.

The Parties acknowledge and agree that they are permitted by U.S. law to make up to six (6) pre-authorized withdrawals or telephonic transfers from an MMDA per calendar month or statement cycle or similar period. If the MMDA can be accessed by checks, drafts, bills of exchange, notes and other financial instruments (Items), then no more than three (3) of these six (6) transfers may be made by an Item. The Escrow Agent is required by U.S. law to reserve the right to require at least seven (7) days notice prior to a withdrawal from a money market deposit account.

Payment of the invoice is due upon receipt.

Compliance

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person or entity that opens an account. We may ask for information that will enable us to meet the requirements of the Act.

EXHIBIT C

BILL OF SALE AND ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS BILL OF SALE AND ASSIGNMENT AND ASSUMPTION AGREEMENT (Bill of Sale), dated as of January _____, 2011, is entered into between **Cardo Medical, Inc.**, a Delaware corporation (Cardo Medical) with its principal address located at 7625 Hayvenhurst Avenue, Suite #49, Van Nuys, California 91406, **Cardo Medical, LLC**, a Delaware limited liability company (together with Cardo Medical, Sellers) and **Arthrex, Inc.**, a Delaware corporation (Buyer) with its principal address located at 1370 Creekside Blvd., Naples, FL 34108.

1. This Bill of Sale is executed and delivered pursuant to the terms of the Asset Purchase Agreement (the Agreement), dated as of January [__], 2011, by and among Parent, Buyer and Sellers. Each term which is capitalized but not otherwise defined in this Bill of Sale shall have the meaning ascribed to such term in the Agreement.

2. For value received, upon the terms and subject to the conditions of the Agreement, each Seller hereby sells, conveys, assigns, transfers and delivers to Buyer, and Buyer hereby purchases and acquires from such Seller, all of such Seller s right, title and interest in and to the Purchased Assets (excluding the Excluded Assets), free and clear of all Liens, except for Permitted Liens.

3. For value received, upon the terms and subject to the conditions of the Agreement, effective as of the Closing, Buyer hereby assumes and agrees to discharge when due only the Assumed Liabilities.

4. This Bill of Sale shall be governed by and construed in accordance with the laws of the State of Florida (excluding any conflict of law, rule or principle that would result in the application of the laws of another jurisdiction). **EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING ARISING HEREUNDER.**

5. This Bill of Sale is executed and delivered pursuant to the Agreement. Nothing in this Bill of Sale shall, or shall be deemed to, defeat, limit, alter, impair, enhance or enlarge any representation, warranty, right, obligation, claim or remedy created by the Agreement. In the event of any conflict between this Bill of Sale and the Agreement, the Agreement shall control. This Bill of Sale may only be modified in a writing signed by both Sellers, Parent and Buyer.

6. This Bill of Sale shall be binding upon and inure to the benefit of the Sellers, Parent and Buyer and their respective successors and permitted assigns.

7. Each Seller agrees to do and cause to be done any and all acts, to execute and deliver any and all agreements, documents and instruments and to make, execute and deliver to Buyer any and all powers of attorney, which Buyer deems reasonably necessary, proper or convenient: (i) to effectuate the sale, assignment, conveyance, transfer, grant, setting over,

confirmation and delivery of the Purchased Assets contemplated by this Bill of Sale and the Agreement; and (ii) to enable Buyer to own, possess, collect, enforce and enjoy any and all rights, interests and benefits in, to, and with respect to each of the Purchased Assets, as provided in the Agreement.

8. SELLER IS NOT MAKING ANY REPRESENTATIONS OR WARRANTIES REGARDING ITS ASSETS OR BUSINESS, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. BUYER HEREBY ACKNOWLEDGES AND AGREES THAT PURCHASER IS PURCHASING THE ASSETS ON AN AS-IS, WHERE-IS BASIS. FURTHERMORE BUYER ACKNOWLEDGES THAT EXCEPT AS SET FORTH IN THE AGREEMENT, SELLERS AND THEIR RESPECTIVE OFFICERS, MANAGERS AND AGENTS HAVE MADE NO REPRESENTATION OR WARRANTY CONCERNING (I) ANY USE TO WHICH THE SELLER S ASSETS MAY BE PUT, (II) ANY FUTURE REVENUES, COSTS, EXPENDITURES, CASH FLOW, RESULTS OF OPERATIONS, FINANCIAL CONDITION OR PROSPECTS THAT MAY RESULT FROM THE OWNERSHIP, USE OR SALE OF SUCH ASSETS, OR (III) THE CONDITION OF THE SUCH ASSETS.

9. This Bill of Sale may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument.

[Signatures Contained on the Following Page]

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IN WITNESS WHEREOF, each of the parties has caused this Bill of Sale to be executed as of the date first set forth above.

SELLERS:	**CARDO MEDICAL, INC.**
	By:
	Andrew Brooks, M.D. Chief Executive Officer
	CARDO MEDICAL, LLC
	By:
	Andrew Brooks, M.D. Chief Executive Officer
BUYER:	**ARTHREX, INC.**
	By:
	Print Name:
	Print Title:

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EXHIBIT D
CONSULTING AGREEMENT

This Consulting Agreement is entered into this _____ day of ___________, 2011 (the Effective Date) by and between ___________ (Consultant) and **Arthrex, Inc.** (Company).

Recitals

1.2 Recitals

A. Company desires to have Consultant serve as a consultant for Company with regards to administrative consulting all as more particularly described herein.

B. Consultant desires to serve as a consultant to Company according to the terms and provisions herein.

(a) Agreement

Agreement

1. Consulting Services.

(a) Services and Duties. Company hereby accepts the Consultant as qualified to provide services as a ______________________ Consultant (the Consulting Services). Consultant hereby agrees that for a period of ___________ **(___________) months** after the Effective Date (the Term) (and beyond, if mutually agreed to by the parties):

(i) to provide the Consulting Services exclusively to Company;

(ii) to honor all covenants contained in this Agreement, including without limitation those set forth in Section 2;

(iii) to diligently and faithfully devote the time necessary to perform the Consulting Services under the direction of the ___________, up to a maximum of forty (40) hours per week, and to perform the Consulting Services to the best of his ability for Company, and to devote such additional time, whenever reasonable, to the business of Company, as may be requested by the President of Company;

(iv) Consultant shall report to, communicate with, and follow the direction of the ______________________ and Consultant agrees to keep a log of the services performed hereunder and notify Company on a regular basis concerning Consultant s performance of those services to ensure compliance with this Agreement;

(v) Consultant s responsibilities shall include, but are not limited to, administrative consulting.

The cost of Company approved travel and overnight stays and related reasonable expenses to be borne by Company. If travel is required by Company, it must be approved in advance by the ______________________ _________ and any related costs and reasonable expenses will be borne by Company;

(b) Compensation. In consideration of such services, Company shall pay Consultant $__________ a month for salary and $__________ as compensation for monthly benefits. Payments of $__________ will be made twice a month, on the fifteenth (15th) and the last day of the month. Other than as provided in this Section 1(b), Consultant shall not be entitled to any other compensation or benefits from the Company in respect of the provision of the Consulting Services hereunder (including any additional payment or royalty with respect to Consulting Services performed hereunder with respect to the Purchased Assets).

(c) Termination. Company shall have the right to terminate the Consulting Services, in its sole and absolute discretion, upon:

(i) termination of any project on which Consultant provides Consulting Services;

(ii) failure on the part of the Consultant to perform required duties to the satisfaction of the __________ __________;

(iii) intentional or unintentional disclosure or communication of confidential information to any person, firm, or entity not authorized to have access to such information;

(iv) any damage to Company s goodwill, standing, or reputation intentionally caused by Consultant; or

(v) an intentional or unintentional breach of any of the covenants or representations contained in this Agreement, including, without limitation, those set forth in Section 2 hereof or violation of any Federal or State laws in performing services for Company.

2. Non-Competition; Non-Solicitation; Inventions and Trade Secrets.

(a) During Course of Providing Services. Consultant agrees that, during the course of providing the Consulting Services to Company, he will not, directly or indirectly, as proprietor, officer, employee, partner, stockholder, consultant, owner or otherwise, render services to or participate in the affairs of any business which is in competition with or substantially similar to the business of Company, unless otherwise agreed to in writing by Company. Notwithstanding the foregoing, nothing contained in this Agreement shall limit or restrict Consultant from (i) continuing as a consultant to, or director, officer or employee of, Cardo Medical, Inc. and/or its subsidiaries in connection with the disposition of the remainder of all or any part of its or its subsidiaries assets or

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business, provided that such involvement does not materially interfere with the performance of his duties hereunder, or (ii) restrict Consultant from owning, directly or indirectly, any equity securities (including stock options) of Cardo Medical, Inc. that he holds as of the date hereof.

(b) Trade Secrets. Consultant will not, either during the course of providing the Consulting Services or at any time thereafter, disclose to any person, firm, association, corporation or other entity, any trade secrets of Company, such as records, drawings, specifications, plans, models, customer lists, profit margins, engineering plans, vendor lists, manufacturing processes, financial sheets, records, files or any other information concerning the business or affairs of Company which would operate to the competitive disadvantage of Company if disclosed or which it acquired or developed in the course of or incident to providing the Consulting Services. The parties stipulate that, as between them, all data and information obtained by Consultant from providing the Consulting Services are important, confidential, material, and affect the successful conduct of the business of Company and its goodwill and fall under the protection of this paragraph.

(c) Inventions.

(i) As used in this Agreement, the term Inventions means any and all new or useful art, discovery, improvement, technical development, or invention, whether or not patentable, and all related know-how, designs, trademarks, formulae, processes, manufacturing techniques, trade secrets, ideas, artwork, software or other copyrightable or patentable works.

(ii) Consultant hereby agrees to promptly disclose and describe to Company, and to assign, royalty free, to Company or its designee, its entire right, title, and interest in and to all Inventions and any associated intellectual property rights concerning the Consulting Services, related instruments, products, or surgical techniques or other products developed under, encompassed by or related to Consultant s Services hereunder, which he may solely or jointly conceive, develop or reduce to practice during the period in which he provides Consulting Services to Company (a) which relate at the time of conception or reduction to practice of the invention to Company s business or actual, or demonstrably anticipated, research or development, or (b) which were developed on any amount of Company s time or with the use of any of Company s equipment, supplies, facilities or trade secret information, or (c) which resulted from any work Consultant performed for Company (Company Inventions). Notwithstanding anything to the contrary set forth herein, and for the avoidance of doubt, Company Inventions shall not include any Inventions related to the Spinal Assets (as defined in the Asset Purchase Agreement, dated as of the date hereof, among Company, Cardo Medical, Inc. and Cardo Medical, LLC).

(iii) Consultant recognizes that Company Inventions conceived or made by him, alone or with others, within one (1) year after termination of this Agreement may have been conceived in significant part while providing the Consulting Services to Company. Accordingly, Consultant agrees that such Company Inventions shall be presumed to have been conceived during the period in which he provided the Consulting Services to Company and are to be assigned to Company unless and until he has established the contrary.

(iv) Consultant agrees to perform, during and after the period during which he provides the Consulting Services to Company, all acts deemed necessary or desirable by Company to permit and assist it, at its expense, in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in Company Inventions hereby assigned to Company. Such acts may include, but are not limited to, execution of documents and assistance or cooperation in the registration and enforcement of applicable patents, copyrights, or other legal proceedings. In the event that Company is unable for any reason to secure Consultant s signature to any document required to apply for or execute any patent, copyright, or other applications with respect to any Company Inventions (including improvements, renewals, extensions, continuations, divisions or continuations in part thereof), Consultant hereby irrevocably designates and appoints Company and his duly authorized officers and agents as its agents and attorneys-in-fact to act for and on its behalf and instead of it, to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, or other rights thereon with the same legal force and effect as if executed by it.

(d) Company Records and Products. Upon the termination of this Agreement, Consultant shall turn over and deliver to Company all memoranda, notes, records, papers, drawings, specifications, work product, files or other documents concerning the business of Company and any and all clients of Company, and all the property of Company in Consultant s possession or under his control. It is agreed and understood that all of the aforementioned documents or objects, including copies of any corporate communications produced on behalf of Company or Company s clients and retained by Consultant, are the sole and exclusive property of Company and its successors and shall remain Company property upon the of the termination of this Agreement.

(e) Breach of Covenants. Consultant acknowledges the unique nature of the protected information and/or interest and understands the irreparable harm to Company if any one of the covenants set forth in this Section 2 is breached. If such a breach should occur, Company is entitled to any and all remedies available to it, according to law, and equity, and election by Company of injunctive relief does not preclude it from pursuing any and all other remedies available to it and Consultant shall be liable to pay the costs of any such proceedings, including reasonable attorney s fees. If Consultant prevails in any legal proceeding, he shall be entitled to recover from Company the costs of proceedings, including reasonable attorney s fees.

(f) Reformation. Although Company and Consultant consider the restrictions and covenants contained herein to be reasonable for the protection of Company, if any of the restrictions set forth in this Section 2 are found by a court to be unreasonable because they are overly broad as to time period, geographic area or otherwise, then and in that case such restriction shall nevertheless remain effective but shall be considered amended in such manner so as to make the restriction reasonable in scope as determined by such court and shall be in force as amended.

(g) Invalidity. Invalidity of any one or more of the provisions of this Section 2 shall in no way affect any of the other provisions hereof which shall remain in full force and effect.

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3. Miscellaneous Provisions.

(a) Equitable Relief. The parties hereto agree and declare that legal remedies may be inadequate to enforce the provisions of this Agreement and that equitable relief, including specific performance and injunctive relief, may be used to enforce the provisions of this Agreement.

(b) Integration, Change and Modifications. This Agreement shall constitute the entire agreement between the Parties with respect to all of the matters herein. This Agreement may not be orally changed, modified or terminated, nor shall any oral waiver of any of its terms be effective. This Agreement may be changed, modified or terminated only by an agreement in writing signed by Company and Consultant. No modification or waiver of any provision of this Agreement shall be valid unless it is in writing and signed by both parties to this Agreement. No waiver at any time of any provision of this Agreement shall be deemed to be a waiver of any other provision of this Agreement at that time or a waiver of that or any other provision at any other time.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

(d) Headings. The headings are intended only for convenience in finding the subject matter and do not constitute part of the text of this Agreement and shall not be considered in the interpretation of this Agreement.

(e) Saving Clause. If any provision(s) of this Agreement shall be determined to be illegal or unenforceable, such determination shall in no manner affect the legality or enforceability of any other provision hereof.

(f) Notices. All notices, requests, consents and other communications shall be in writing and be deemed given when delivered personally, by telex or facsimile transmission or when received if mailed by first class registered or certified mail, postage prepaid. Notices to Company or Consultant shall be addressed as set forth underneath their signatures below, or to such other address or addresses as may have been furnished by such party in writing to the other.

(g) Assignment. Company has the right to assign this Agreement, and such assignee shall become entitled to all the rights and subject to all the duties of Company hereunder to the extent of such assignment. Consultant recognizes and agrees that the Consulting Services provided by Consultant to Company are unique and that Consultant may not assign any of Consultant s rights or obligations hereunder without first obtaining the written consent of Company.

(h) Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

(i) Binding Effect. All covenants set forth in this Agreement, including without limitation those set forth in Section 2, shall be binding upon Consultant, his successors and assigns, and shall inure to the benefit of Company and its successors and assigns.

(j) Independent Contractor. Consultant shall at all times be an independent contractor. Neither party shall assert that an employment relationship exists or take any action inconsistent with the independent contractor status of Consultant. Consultant shall have no authority to bind Company to any agreement, except to the extent such authority is expressly conferred upon him by Company in writing (exclusive of this Agreement).

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The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: __________, 2011

ARTHREX, INC.

By:

Reinhold Schmieding, President

Dated: __________, 2011

By:

EXHIBIT E
SUB-SUBLEASE AGREEMENT

THIS SUB-SUBLEASE AGREEMENT (this Sub-Sublease) is entered into as of , 2011 (the Effective Date), by and between **CARDO MEDICAL, INC.** (Sub-Sublessor), and [ ] (Sub-Sublessee , and together with Sub-Sublessor, the Parties , and each a Party), with reference to the hereinafter described premises which Sub-Sublessor has subleased from 10 CLIFTON ASSOCIATES, LLC (Owner).

The Parties do hereby agree as follows:

1. Master Lease. Sub-Sublessor is the subtenant of certain premises known as Unit B1 currently containing approximately 10,081 net rentable square feet (the Premises) located in the Building referred to in the Master Lease (as hereinafter defined) which is located at 10 Clifton Boulevard, Clifton, New Jersey. Owner, as lessor, and Polymer Technologies, Inc. (PTI), as lessee, entered into that certain Lease Agreement dated February 6, 2003, as amended by that certain Lease Extension Agreement dated as of August 31, 2009 (together, the PTI Lease) pursuant to which PTI leased the entire Building from Owner. Concurrently therewith, PTI, as sublandlord, and Owner, as subtenant, entered into that certain Sublease (Back Building) dated February 6, 2003 (the Clifton Sublease) pursuant to which Owner subleased approximately 30,000 square feet in the Building as more particularly described therein (the Clifton Premises). Owner subsequently subleased the Premises, which constitute a portion of the Clifton Premises, to Sub-Sublessor pursuant to that certain Modified Net Lease dated as of July 8, 2009 by and between Owner and Sub-Sublessor, as amended by that certain Amendment to Modified Net Lease dated as of __________, 2009 by and between Owner and Sub-Sublessor (together, the Master Lease). Sub-Sublessee hereby acknowledges receipt of a copy of the Master Lease, the PTI Lease and the Clifton Sublease (collectively, the Master Lease Documents), copies of which are attached hereto as Exhibit A. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Master Lease.

2. Terms of Sub-Sublease and Sub-Sublessor s Covenants.

(a) Sub-Sublessor does hereby sublease to Sub-Sublessee, and Sub-Sublessee does hereby sublease, take and hire from Sub-Sublessor, the Premises, including its allocable share of the Common Facilities and the Parking Spaces and excluding the office space, cube area and the storage area depicted on Exhibit B attached hereto consisting of approximately 1,512.15 rentable square feet (the Excluded Premises). Except as explicitly excluded in Section 4 of this Sub-Sublease and to the extent inapplicable to this Sub-Sublease, Sub-Sublessee shall be subject to, bound by and comply with all terms, conditions, covenants and provisions of the Master Lease Documents and shall satisfy all obligations under the Master Lease Documents relating to the Premises for the benefit of Sub-Sublessor, Owner and PTI from and after the Effective Date. Wherever in this Sub-Sublease the word Premises appears, it shall mean the Premises less the Excluded Premises. Wherever in the Master Lease or the PTI Lease the word Lessee appears, for the purposes of this Sub-Sublease, the word Sub-Sublessee shall be substituted therefor, and wherever the word Lessor appears, for the purposes of this Sub-Sublease, the word Sub-Sublessor shall be substituted therefore. Wherever in the Clifton Sublease the word Sublessee appears, for the purposes of this Sub-Sublease, the word Sub-Sublessee shall be substituted therefor, and wherever the word, Sublessor appears, for the purposes of this Sub-Sublease, the word Sub-Sublessor shall be substituted therefore. Upon the breach of any of said terms, conditions, covenants or provisions of the Master Lease Documents by either Party or upon the failure of Sub-Sublessee to pay Rent (as hereinafter defined) hereunder or comply with any of the provisions of this Sub-Sublease, either Party may exercise

any and all rights and remedies granted to such Party by the Master Lease Documents or this Sub-Sublease. In the event of any conflict between this Sub-Sublease and the Master Lease Documents, the terms of this Sub-Sublease shall control. In the event of any conflict between the Master Lease and the PTI Lease or the Clifton Sublease, the terms of the Master Lease shall control.

(b) Sub-Sublessor agrees to accord to Sub-Sublessee the same services and benefits with respect to the Premises that Sub-Sublessor is accorded (to the extent that Sub-Sublessor receives such benefits from Owner or PTI) under the Master Lease Documents. Sublessor shall not otherwise be obligated to provide Sublessee with any services or benefits. Any notice required under the Master Lease relating to such benefits to be given by Sub-Sublessor to Sub-Sublessee shall be given immediately after Sub-Sublessor receives such notice under the Master Lease Documents. All representations and warranties of Owner or PTI under the Master Lease Documents shall apply to the Premises under this Sub-Sublease and be deemed to be for the direct benefit of Sub-Sublessee, and Sub-Sublessor hereby acknowledges that the applicability of such representations and warranties is a material inducement to Sub-Sublessee for entering into this Sub-Sublease; provided, however, that nothing in the foregoing shall impute any responsibility on Sub-Sublessor for any representations and warranties given by the Owner or PTI and no such representations and warranties shall be deemed to have been given by Sub-Sublessor.

(c) Provided Sub-Sublessee shall not be in default under this Sub-Sublease beyond any applicable notice and cure periods, Sub-Sublessor warrants during the term of this Sub-Sublease that Sub-Sublessee shall hold, enjoy and possess the Premises free from hindrance by Sub-Sublessor or any other person claiming by, through or under Sub-Sublessor. Except to the extent caused by the gross negligence or willful misconduct of Sub-Sublessee, Sub-Sublessor shall indemnify and hold harmless Sub-Sublessee against and from any and all claims, demands, costs, suits, liabilities and damages asserted against Sub-Sublessee by virtue of Sub-Sublessor s failure to perform any obligation of Sub-Sublessor under this Sub-Sublease or the Master Lease Documents. Sub-Sublessor agrees not to further encumber its interest in the Premises without Sub-Sublessee s prior written consent. Except to the extent caused by the gross negligence or willful misconduct of Sub-Sublessor, Sub-Sublessee shall indemnify and hold harmless Sub-Sublessor against and from any and all claims, demands, costs, suits, liabilities and damages asserted against Sub-Sublessor by virtue of Sub-Sublessee s failure to perform any obligation of Sub-Sublessee under this Sub-Sublease or the Master Lease Documents. Sub-Sublessee agrees not to encumber its interest in the Premises without first obtaining the prior written consent of the Sub-Sublessor or any other party as required under the Master Lease Documents.

(d) Sub-Sublessor covenants and agrees that it (i) shall neither voluntarily terminate any of the Master Lease Documents nor cause any of the Master Lease Documents to be terminated due to an event of default for which Sub-Sublessor is responsible or over which it has control, (ii) shall completely and timely perform or observe all terms, covenants, provisions, undertakings and conditions of the Master Lease Documents specifically applicable to Sub-Sublessor thereunder and hereunder, in accordance with their terms and (iii) shall provide Sub-Sublessee, via overnight delivery, with a copy of any notice received from or sent to Owner and/or PTI. Sub-Sublessee covenants and agrees that it (i) shall not cause any of the Master Lease Documents to be terminated due to an event of default for which Sub-Sublessee is responsible or over which it has control, (ii) shall completely and timely perform or observe all terms, covenants, provisions, undertakings and conditions of the Master Lease Documents specifically applicable to Sub-Sublessee pursuant hereto, in accordance with their terms and (iii) shall provide Sub-Sublessor, via overnight delivery, with a copy of any notice received from or sent to Owner and/or PTI.

3. Inapplicable Paragraphs. Except as otherwise explicitly provided for herein, the provisions of the following Sections of the Master Lease are inapplicable to the rights and obligations of Sub-Sublessor and Sub-Sublessee to each other under this Sub-Sublease: Basic Lease Provisions (2), (4), (12), (13), (14) and Sections 2, 3, 14, 18, 19, 24(A), 34, 37, 44, 45 and 46. Except as otherwise explicitly provided for herein,

the provisions of the following Sections of the Clifton Sublease are inapplicable to the rights and obligations of Sub-Sublessor and Sub-Sublessee to each other under this Sub-Sublease: Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 12(B), 12(C), 12(D), 22 and 23. The provisions of the following Sections of the PTI Lease are inapplicable to the rights and obligations of Sub-Sublessor and Sub-Sublessee to each other under this Sub-Sublease: Basic Lease Provisions (4) through and including (15) and Sections 2, 3, 4, 5, 6(A), 17, 26, 27, 35, 36, 44, 47 and 48.

4. Term. The term of this Sub-Sublease (the Term) shall commence on the Effective Date and end on , 2012 (the Initial Expiration Date). Sub-Sublessor hereby grants Sub-Sublessee the option to extend the expiration date of the Term to October 31, 2012 such that it shall coincide with the expiration of the Master Lease. Sub-Sublessee may exercise its option to so extend the Term by delivering written notice thereof to Sub-Sublessor no later than forty-five (45) days prior to the Initial Expiration Date.

5. Permitted Use. Sub-Sublessee shall use and occupy the Premises solely for the purposes permitted by the Master Lease.

6. Rent. Sub-Sublessee shall pay to Sub-Sublessor at the address for notices specified below or at such other place as Sub-Sublessor may designate in writing, in advance, on the first (1st) day of each calendar month during the Term hereof, all amounts due from Sub-Sublessee to Sub-Sublessor, including, without limitation, Monthly Installments of Fixed Basic Rent and Additional Rent (including, but not limited to, any amounts due pursuant to Sections 19 and 44 of the Master Lease) due under the Master Lease, less the Excluded Premises Credit (as hereinafter defined) (collectively, the Rent). Rent shall be paid without abatement, deduction, claim, offset, prior notice or demand. Sub-Sublessee shall pay Sub-Sublessor the first installment of Rent upon Sub-Sublessee s execution of this Sub-Sublease. Rent for any period during the Term hereof which is for less than one month shall be a pro rata portion of the monthly installment. Sub-Sublessor shall continue to pay to Owner all amounts due under the Master Lease, including, but not limited to, Fixed Basic Rent and Additional Rent. For purposes of this Sub-Sublease, the Excluded Premises Credit shall mean the Sub-Sublessor s pro rata share, based on the square footage of the Excluded Premises, of the Monthly Installments of Fixed Basic Rent and Additional Rent (including, but not limited to, any amounts due pursuant to Sections 19 and 44 of the Master Lease) due under the Master Lease.

7. Condition of the Premises. Sub-Sublessee accepts the Premises in their AS-IS condition as of the date of this Sub-Sublease. None of Sub-Sublessor, Owner or PTI shall have any obligation to make any improvements or alterations in or to the Premises. Sub-Sublessee acknowledges that none of Sub-Sublessor, Owner or PTI has made any representations or warranties regarding the suitability or fitness of the Premises for the conduct of Sub-Sublessee s business or for any other purpose except as otherwise set forth in the Master Lease. Sub-Sublessor hereby acknowledges that the Master Lease allows Sub-Sublessee to make alterations in and to the Premises, and any alterations undertaken by Sub-Sublessee shall be done in accordance with the Master Lease Documents. Sub-Sublessor acknowledges that Sub-Sublessee is not assuming responsibility to remove any alterations or improvements or to restore the Premises to any prior condition to the extent such alterations or improvements were installed by Sub-Sublessor.

8. Time for Action. If Sub-Sublessee shall at any time fail to make any payment or perform any other obligation of Sub-Sublessee hereunder, then Sub-Sublessor shall have the right, but not the obligation, after the lesser of five (5) days prior written notice to Sub-Sublessee or the time within which Owner or PTI, as applicable, may act on Sublessor s behalf under the Master Lease Documents, or without notice to Sub-Sublessee in the case of any emergency, and without waiving or releasing Sub-Sublessee from any obligations of Sub-Sublessee hereunder, to make such payment or perform such other

obligation of Sub-Sublessee in such manner and to such extent as Sub-Sublessor shall deem necessary, and in exercising any such right, to pay any incidental costs and expenses, employ attorneys and other professionals, and incur and pay reasonable attorneys fees and other costs reasonably required in connection therewith. Sub-Sublessee shall pay to Sub-Sublessor upon demand all sums so paid by Sub-Sublessor and all incidental costs and expenses of Sub-Sublessor in connection therewith. For any other acts, the time limits provided for in the Master Lease for the giving of notice, making of demands, performance of any act, condition or covenant, or the exercise of any right, remedy or option, are amended for the purposes of this Sub-Sublease by lengthening or shortening the same in each instance by five (5) days, as appropriate, so that notices may be given, demands made, or any act, condition or covenant performed, or any right, remedy or option hereunder exercised, by Sub-Sublessor or Sub-Sublessee, as the case may be, within the time limit relating thereto contained in the Master Lease. If the Master Lease allows only five (5) days or less for Sub-Sublessor or Sub-Sublessee to perform any act, or to undertake to perform such act, or to correct any failure relating to the Premises or this Sub-Sublease, then such party shall nevertheless be allowed three (3) days to perform such act, undertake such act and/or correct such failure.

9. Insurance. All liability insurance policies required to be carried by Sub-Sublessee pursuant to the Master Lease shall name Sub-Sublessor, Owner and PTI as additional insureds.

10. Notice Addresses. Sub-Sublessor s address for notices and rent payments shall be [______________________________]. Sub-Sublessee s address for notices shall c/o Arthrex, Inc., 1370 Creekside Boulevard, Naples, Florida 34108, Attention: Jon Cheek Vice President, Finance; Attention: Scott Price Vice President, Legal.

11. Consents, Waivers, Indemnities. Whenever, pursuant to the provisions of the Master Lease as applicable to this Sub-Sublease, the consent of Sub-Sublessor is required to any act or thing, the consent of Owner and PTI shall be required, and whenever pursuant thereto liability for any act, thing, omission, injury or damage is waived or indemnity is provided for the benefit of Sub-Sublessor, such waiver or indemnity shall extend alike to Owner and PTI, and whenever pursuant thereto liability for any act, thing, omission, injury or damage is waived or indemnity is provided for the benefit of Lessee , Sublessee or Tenant thereunder, such waiver or indemnity shall extend alike to Sub-Sublessee.

12. Protection of Owner and PTI. Sub-Sublessee hereby acknowledges that it has read and is familiar with all the terms of the Master Lease Documents, and agrees that the rights, title and estate of Sub-Sublessee are and shall be subordinate and inferior to the rights, title and estate of Owner, PTI and any mortgagee or ground lessor of Owner or PTI under the Master Lease Documents. Sub-Sublessee agrees that Owner and PTI shall have the right to directly enforce the terms and conditions of this Sub-Sublease, including the collection of Rent pursuant to Section 7.f. of the Master Lease. Sub-Sublessee further agrees that if any of the Master Lease Documents terminate for any reason, Owner or PTI, as applicable, may, at its respective option, either (a) terminate this Sub-Sublease, or (b) take over all of the right, title and interest of Sub-Sublessor under this Sub-Sublease, in which case Sub-Sublessee shall attorn to Owner or PTI, as the case may be. Subject to Section 3, hereof, Sub-Sublessee shall be bound by the Master Lease Documents and all rights of Owner and PTI thereunder, shall not permit any act or thing in or about the Premises or grant, create or suffer any rights in respect thereof which if done, permitted, granted, created or suffered by Sub-Sublessor would constitute a breach of the Master Lease Documents, unless otherwise permitted hereunder.

13. Brokers. Sub-Sublessor and Sub-Sublessee warrant and represent that they have not dealt with any real estate broker or agent in connection with this Sub-Sublease or its negotiation. Each party shall indemnify and hold harmless the other from any cost, expense or liability (including costs of suit and reasonable attorneys fees) for any compensation, commission or fees claimed by any real estate broker or

agent in connection with this Sub-Sublease or its negotiation by reason of any act of the indemnifying party.

14. Bankruptcy. If a proceeding under any section or chapter of Title 11 of the United States Code or similar law (the Bankruptcy Code) is filed by or against Owner or PTI, Sub-Sublessor shall not make any election to continue or to terminate the Master Lease without Sub-Sublessee s consent. If a proceeding under any section or chapter of the Bankruptcy Code or similar law is filed by or against Sub-Sublessor, Sub-Sublessor hereby acknowledges and agrees that Sub-Sublessee will pay Rent and other charges hereunder directly to Owner.

15. No Liability. Sub-Sublessor explicitly acknowledges and agrees that, except to the extent caused by the gross negligence or willful misconduct of Sub-Sublessee, Sub-Sublessee shall have no liability for any act or omission of Sub-Sublessor or any other party (excluding any employee, agent, vendor, contractor or invitee of Sub-Sublessee) or any costs, expenses, liabilities or damages imposed upon any of Sub-Sublessee, Sub-Sublessor, Owner or PTI in any way related to acts, omissions or obligations of Sub-Sublessor or any other party (excluding any employee, agent, vendor, contractor or invitee of Sub-Sublessee) or which occurred or accrued prior to the Effective Date, and Sub-Sublessor hereby indemnifies Sub-Sublessee for all such liability, costs, expenses and damages and agrees to hold Sub-Sublessee harmless therefrom. Sub-Sublessee explicitly acknowledges and agrees that, except to the extent caused by the gross negligence or willful misconduct of Sub-Sublessor, Sub-Sublessor shall have no liability for any act or omission of Sub-Sublessee or any employee, agent, vendor, contractor or invitee of Sub-Sublessee or any costs, expenses, liabilities or damages imposed upon any of Sub-Sublessee, Sub-Sublessor, Owner or PTI in any way related to acts, omission or obligations of Sub-Sublessee or any employee, agent, vendor, contractor or invitee of Sub-Sublessee, and Sub-Sublessee hereby indemnifies Sub-Sublessor for all such liability costs, expenses and damages and agrees to hold Sub-Sublessor harmless therefrom.

16. Excluded Premises.

(a) Notwithstanding anything to the contrary contained in this Sub-Sublease, Sub-Sublessee acknowledges and agrees that during the Term, Sub-Sublessor shall be entitled to (i) retain exclusive use and possession of the Excluded Premises, and (ii) ingress and egress to and nonexclusive use of, in common with Sub-Sublessee, the hallways and other common areas within the Premises in order to access the Excluded Premises. Sub-Sublessee also agrees that Sub-Sublessor shall be entitled to continue to use and, upon prior written notice, maintain (together with reasonable access for repairs, if necessary) all existing telephone and computer cables, conduits, wiring and equipment (Telecommunications Equipment) located within the Premises related to the operation and maintenance of Sub-Sublessee s telephone and computer equipment; provided however, such use and maintenance shall not materially interfere with Sub-Sublessor s use of the Premises or the Telecommunications Equipment.

(b) Sub-Sublessor shall have the right upon thirty (30) days prior written notice to the Sub-Sublessee to terminate its use of, and surrender in the condition required under the Master Lease Documents, the Excluded Premises to the Sub-Sublessee, which such notice shall specify the date on which the Excluded Premises will be vacated and surrendered by the Sub-Sublessee (the Excluded Premises Termination Date). Commencing on the Excluded Premises Termination Date, the Sub-Sublessee shall (i) take possession of the Excluded Premises; (ii) the term, Premises as used herein shall include the Excluded Premises; (iii) the Excluded Premises Rent Credit shall cease; (iv) the term, Rent as used herein shall exclude the Excluded Premises Rent Credit and Sub-Sublessee shall be responsible for paying the Rent on the entirety of the Premises described in Section 16(b)(ii) above and (v) the rights of Sub-Sublessor pursuant to Section 16(a) herein shall terminate.

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[Signatures on Next Page]

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IN WITNESS WHEREOF, the Parties have executed and delivered this Sub-Sublease as of the day and year first above written.

CARDO MEDICAL, INC.

By:

Name:

Its:

[ ]

By:

Name:

Its:

Owner hereby joins in the execution hereof to acknowledge its consent to this Sub-Sublease pursuant to Section 7 of the Master Lease and Section 20 of the PTI Lease and hereby represents and warrants that the consent of PTI is not required in connection with this Sublease pursuant to Section 22 of the Clifton Sublease.

10 CLIFTON ASSOCIATES, LLC

By:

Name:

Its:

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EXHIBIT A

MASTER LEASE DOCUMENTS

[see attached]

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EXHIBIT B
EXCLUDED PREMISES SKETCH

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APPENDIX B

FORM OF
CERTIFICATE OF AMENDMENT
TO
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
CARDO MEDICAL, INC.
[_________] [___], 2011

CARDO MEDICAL, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the DGCL),

DOES HEREBY CERTIFY:

FIRST: The name of this corporation is Cardo Medical, Inc. (the Corporation) and that this Corporation was originally formed pursuant to the Certificate of Incorporation filed with the Secretary of State on January 12, 1994, under the name of NAM Corporation.

SECOND: The Amended and Restated Certificate of Incorporation is hereby amended as follows to change the Corporation s name:

FIRST: The name of the corporation is Tiger X Medical, Inc.

THIRD: The amendment of the Amended and Restated Certificate of Incorporation herein certified has been duly adopted and approved by the Board of Directors of the Corporation at a meeting in accordance with the provisions of Sections 141(f) and 242 of the DGCL and by the holders of the requisite number of shares of the Corporation in accordance with Sections 228(a) and 242 of the DGCL.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by a duly authorized officer as of the date first above written.

By:
Authorized Officer

Title:
Name:
Print or Type

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Annex C

INVERNESS ADVISORS

January 24, 2011
Board of Directors
Cardo Medical, Inc.
10 Clifton Blvd.
Suite B1
Clifton, NJ 07011

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to Cardo Medical, Inc. (the Company), of the Consideration (as defined below) to be received by the Company and its affiliate Cardo Medical, LLC, a Delaware limited liability company (collectively with the Company, Sellers) pursuant to the terms of that certain Asset Purchase Agreement (the Agreement) by and between Arthrex, Inc., a Delaware corporation (Buyer), and Sellers. All capitalized terms used and not otherwise defined herein shall have the respective meanings assigned thereto in the Agreement.

Subject to the terms and conditions of the Agreement, the Agreement contemplates the sale by Sellers to Buyer of the Purchased Assets (comprised of the assets of Sellers reconstructive division (the Division) and all of Sellers other assets other than the Excluded Assets), in exchange for the assumption by Buyer of the Assumed Liabilities, the payment of the Royalty by Buyer to the Company and the payment of cash proceeds equal to the sum of (i) U.S. $9,960,000 plus (ii) the Closing Asset Value as defined in the Agreement (the sum of (i) and (ii), the Cash Consideration) by Buyer to Sellers, subject to adjustment as provided for in the Agreement (all of the foregoing, collectively, the Consideration). We have also assumed, with your consent, that the Closing Asset Value will be approximately $4,717,000. The purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities are referred to collectively herein as the Transaction . The terms and conditions of the Transaction are more fully set forth in the Agreement.

In connection with our review of the Transaction and in arriving at our opinion, we have, among other things:

1. reviewed a draft of the Agreement dated January 21, 2011 (the Draft Agreement), including the financial terms and conditions set forth therein;

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2. reviewed the Company s audited financial results for the fiscal year ended December 31, 2009, the Company s unaudited financial statements for the nine months ended September 30, 2010 and a preliminary draft of the Company s unaudited statement of operations for the quarter ended December 31, 2010;

3. reviewed certain other business, operating and financial data of the Company and the Division, prepared and furnished to us by the Company s management, including certain financial forecasts, projections and analyses for the Division prepared and furnished to us by the Company s management for the fiscal years ending December 31, 2010 through 2013 (the Forecasts);

4. held discussions with the senior management team of the Company concerning the business, past and current operations, financial condition and future prospects of the Division, the effects of the Transaction on the financial condition and future prospects of the Company, and certain other matters we believed necessary or appropriate to our inquiry;

5. compared the financial performance of the Division with that of certain other companies whose securities are traded in public markets that we deemed relevant;

6. compared the financial terms of the Transaction with the financial terms, to the extent publicly available, of other transactions that we deemed relevant;

7. reviewed the Company s annual report on Form 10-K for the fiscal year ended December 31, 2009, and the Company s quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2010;

8. reviewed certain other publicly available business, operating and financial information of the Company and the Division; and

9. made such other studies and inquiries, and reviewed such other data, and considered such other factors as we have deemed, in our sole judgment, to be necessary, appropriate or relevant to render the opinion set forth herein.

In preparing our opinion, we have, with your consent, assumed and relied upon the accuracy and completeness of all financial and other information supplied or otherwise made available to us by the Company and all publicly-available financial and other information regarding the Company and its affiliates reviewed by us, and have not independently verified any such information or assumed any responsibility or liability therefor. With regard to all of the foregoing information, we have relied upon the assurances of the senior management team of the Company that all such information is complete and accurate in all material respects and that they are unaware of any facts or circumstances that would make such information incomplete or misleading in any material respect. We have not been requested to

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conduct and have not conducted a physical inspection of the properties or facilities of the Company, nor have we conducted any valuation or appraisal of any of the Purchased Assets or any other assets or liabilities of Sellers, nor have any such valuations or appraisals been provided to us. We have not evaluated the solvency of either Seller under any state, federal or other laws relating to bankruptcy, insolvency or similar matters, and have undertaken no independent analysis of any pending or threatened litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which Sellers or any of their affiliates is a party or may be subject, and at the direction of the Company and with its consent, our opinion makes no assumption concerning, and therefore does not consider, the possible assertion of claims, outcomes or damages arising out of any such matters.

With respect to the Forecasts provided to us by the Company, we have, with your consent, assumed that such Forecasts were prepared in good faith on reasonable bases reflecting management s current best estimates and judgments of the Division s future financial performance were it not to be sold to Buyer. We have also assumed, with your consent, that the financial results reflected in such Forecasts would be realized in the amounts and at the times projected, and we assume no responsibility for and express no view as to such Forecasts or the assumptions on which they are based, provided that we have also been informed by the senior management team of the Company that the ability to realize such results would require the Company to raise additional financing in an amount that exceeds the amount of financing readily available to the Company as of the date of this opinion. Further, without limiting the foregoing, we have, with your consent, assumed, without independent verification, that the historical and projected financial information provided to us by the Company accurately reflects the historical and projected operations of the Company and the Division, and that there has been no material change in the assets, financial condition, business or prospects of the Company or the Division since the respective dates of the most recent financial statements made available to us.

We have made no independent investigation of any legal matters involving Sellers or Buyer, and we have assumed the correctness of all statements with respect to legal matters made or otherwise provided to the Company and us by the Company s counsel or by Buyer s counsel.

Our opinion is based on market, economic, financial and other circumstances and conditions as they exist as of the date of this letter. Our opinion can be evaluated only as of the date of this letter and any material change in such circumstances and conditions would require a reevaluation of this opinion, which we are under no obligation to undertake. We assume no responsibility to update or revise our opinion based upon events or circumstances occurring after the date hereof.

This letter does not constitute a recommendation to the Board of Directors of the Company or any other person with respect to the Transaction, and does not address the relative merits of the Transaction over any other alternative transactions which may be available to the Company. We express no opinion as to the underlying business decision of the Company to effect the Transaction, the structure, or accounting treatment or taxation consequences of the Transaction or the availability or the advisability of any alternatives to the Transaction. We express no opinion with respect to any other reasons, legal, business, or otherwise, that may support the decision of the Board of Directors of the

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Company to approve or cause the Company to enter into the Agreement or consummate the Transaction. No opinion is expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation payable to any of the officers, directors or employees of the Company, or class of such persons, whether independently or relative to the Consideration, including whether such compensation is reasonable in the context of the Transaction, and we also express no opinion as to the price at which the common stock of the Company will trade upon announcement of the Transaction or at any future time. We have not made any independent investigation of any legal, accounting or tax matters affecting the Company, and we have assumed the correctness of all legal, accounting and tax advice given to the Company and its Board of Directors. This letter does not address the fairness of any specific portion of the Consideration or any other particular component of the Transaction, does not address the fairness of the allocation of the Consideration between Sellers, and does not address the fairness to the stockholders of the Company of the portion of the Consideration that may ultimately become distributable to such stockholders following consummation of the Transaction.

We also have assumed, with your consent, that in the course of obtaining necessary regulatory and third party approvals and consents for the Transaction, no modification, delay, limitation, restriction or condition will be imposed that will have an adverse effect on the Company or the contemplated benefits of the Transaction and that the Transaction will be consummated in accordance with the terms of the Agreement, without waiver, modification or amendment of any material term, condition or agreement therein. We also have assumed that all of the representations and warranties of the parties set forth in the Agreement and all related agreements and documents are true and correct, that each party to the Agreement and such other agreements will fully and timely perform all of the covenants and agreements required to be performed by such party, and that the final form of the Agreement reviewed by us will not vary in any regard that is material to our analysis from the Draft Agreement, and that the Transaction will be consummated in accordance with the terms thereof, including that, in all respects material to our analysis, the representations and warranties made by the parties thereto are accurate and complete.

It is understood that this letter is solely for the information of the Company s Board of Directors in evaluating the Transaction and does not confer rights or remedies upon the stockholders of the Company or any creditor of the Company or any other person, and we express no opinion or recommendation as to how any stockholder of the Company should vote or act in connection with the Transaction. Furthermore, this letter should not be construed as creating any fiduciary duty on our part to the Company, the Company s Board of Directors or any other party. This opinion is not to be reproduced, summarized, described or referred to or given to any other person or otherwise made public or used for any other purpose, or published or referred to at any time, in whole or in part, without our prior written consent. The issuance of this opinion was approved by our Fairness Opinion Review Committee.

Inverness Advisors, a division of KEMA Partners LLC (Inverness), as part of its investment banking services, is regularly engaged in the valuation of businesses and securities in connection with mergers, acquisitions, private placements and valuations for corporate and other purposes. Inverness

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and its affiliates in the ordinary course of business provides and in the future may continue to provide investment banking services to the Company and may receive fees for the rendering of such services. In addition, in the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of the Company or Buyer for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

Inverness has been engaged by the Company as its financial advisor pursuant to the engagement and indemnity agreement dated October 31, 2010, by and between Inverness and the Company (the Inverness Engagement Letter). In connection with the Transaction, Inverness will receive a fee for the rendering of this opinion and certain additional fees for our services in connection with the Transaction. In addition, the Company has agreed to indemnify us against and exculpate us from certain liabilities that may arise out of our engagement, all as more fully described in the Inverness Engagement Letter.

Based on and subject to the foregoing, and in reliance thereon, we are of the opinion that, as of the date hereof, the Consideration to be received in the Transaction is fair, from a financial point of view, to the Company.

Very truly yours,

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Inverness Advisors 535 Pacific Avenue, 3rd Floor San Francisco, CA 94133

All securities business conducted through KEMA Partners LLC a registered broker-dealer