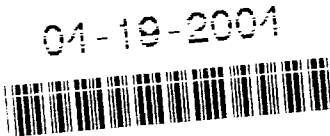


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U.S. DEPARTMENT OF COMMERCE  
U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):  
**Prisa Networks**

- ☐ Individual(s)      ☐ Association  
☐ General Partnership      ☐ Limited Partnership  
☒ Corporation-State  
☐ Other \_\_\_\_\_

Additional name(s) of conveying party(ies) attached? ☐ Yes ☒ No

3. Nature of conveyance:

- ☐ Assignment      ☒ Merger  
☐ Security Agreement      ☐ Change of Name  
☐ Other \_\_\_\_\_

Execution Date: **September 11, 2002**

2. Name and address of receiving party(ies)

Name: **EMC Corporation**

Internal

Address: **Legal Department**

Street Address: **176 South Street**

City: **Hopkinton** State: **MA** Zip: **01748**

- ☐ Individual(s) citizenship \_\_\_\_\_  
☐ Association \_\_\_\_\_  
☐ General Partnership \_\_\_\_\_  
☐ Limited Partnership \_\_\_\_\_  
☒ Corporation-State \_\_\_\_\_  
☐ Other \_\_\_\_\_

If assignee is not domiciled in the United States, a domestic representative designation is attached: ☐ Yes ☒ No  
(Designations must be a separate document from assignment)  
Additional name(s) & address(es) attached? ☐ Yes ☒ No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

**2,499,377**

Additional number(s) attached ☐ Yes ☒ No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: **John M. Gunther, Esq.**

Internal Address: **Legal Department**

**EMC Corporation**

Street Address: **176 South Street**

City: **Hopkinton** State: **MA** Zip: **01748**

6. Total number of applications and registrations involved: **1**

7. Total fee (37 CFR 3.41).....\$ **40.00**

- ☐ Enclosed  
☒ Authorized to be charged to deposit account

8. Deposit account number:

**050889**

(Attach duplicate copy of this page if paying by deposit account)

**DO NOT USE THIS SPACE**

9. Statement and signature.

*To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.*

**John M. Gunther**

Name of Person Signing

Signature

Date

**3-15-04**

Total number of pages including cover sheet, attachments, and document: **55**

04/19/2004 MGETACHE 00000003 050889

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Documents to be recorded with required cover sheet information to:  
Commissioner of Patent & Trademarks, Box Assignments  
Washington, D.C. 20231



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40.00 DA

03-29-2004

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REEL: 002949 FRAME: 0375

**AGREEMENT AND PLAN OF MERGER**

**BY AND AMONG**

**EMC CORPORATION,**

**EDGE MERGER CORPORATION,**

**PRISA NETWORKS, INC.,**

**AND**

**THE REPRESENTATIVE OF THE HOLDERS OF ALL OF  
THE CAPITAL STOCK OF PRISA NETWORKS, INC.**

**Dated as of September 11, 2002**

**AGREEMENT AND PLAN OF MERGER**

AGREEMENT AND PLAN OF MERGER made as of September 11, 2002 (the "Agreement") by and among EMC Corporation, a Massachusetts corporation ("Parent"), Edge Merger Corporation, a California corporation and a wholly-owned subsidiary of Parent ("Merger Sub"), Prisa Networks, Inc., a California corporation (the "Company"), and the Representative (as defined in Section 10.01(a)). The holders of all of the capital stock of the Company are collectively referred to as the "Company Stockholders."

WHEREAS, the respective Boards of Directors of Parent, Merger Sub and the Company have each determined that it is advisable and in the best interests of their respective stockholders that Parent acquire the Company pursuant to the terms and conditions of this Agreement, and, in furtherance of such acquisition, such Boards of Directors have approved the merger of Merger Sub with and into the Company (the "Merger") in accordance with the terms of this Agreement and the applicable provisions of the General Corporation Law of California ("GCL"); and

WHEREAS, the Company Stockholders own of record and beneficially all of the issued and outstanding capital stock of the Company, consisting of (a) 2,477,261 shares of the Company's common stock, no par value (the "Company Common Stock"), and (b) an aggregate of 9,962,141 shares of the Company's preferred stock, no par value (the "Company Preferred Stock," and together with the Company Common Stock, the "Company Stock"), which consists of 630,000 shares of the Company's Series A-1 Preferred Stock, no par value (the "Company A-1 Preferred Stock"), 1,222,570 shares of the Company's Series A-2 Preferred Stock, no par value (the "Company A-2 Preferred Stock"), 236,966 shares of the Company's Series B Preferred Stock, no par value (the "Company B-1 Preferred Stock"), 2,935,000 shares of the Company's Series C-1 Preferred Stock, no par value (the "Company C Preferred Stock"), and 4,937,605 shares of the Company's Series D-1 Preferred Stock, no par value (the "Company D Preferred Stock"); and

WHEREAS, pursuant to the Merger, except for Dissenting Shares (as defined in Section 2.04), each outstanding share of Company Stock shall be converted into the right to receive the Merger Consideration (as defined in Section 2.01(a)), upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, intending to be legally bound hereby, the parties hereto hereby agree as follows:

## ARTICLE I. THE MERGER

Section 1.01 The Merger. Subject to the terms and conditions of this Agreement, at the Effective Time (as defined in Section 1.02), Merger Sub shall merge with and into the Company in accordance with the GCL, the separate corporate existence of Merger Sub shall cease, and the Company shall continue as the surviving corporation in the Merger. The Company, in its capacity as the corporation surviving the Merger, is hereinafter sometimes referred to as the "Surviving Corporation."

Section 1.02 Consummation of Merger. In order to effectuate the Merger, on the Closing Date (as defined in Section 1.07), Parent and the Company shall cause an agreement of merger (the "Agreement of Merger") to be filed with the Secretary of State of the State of California, in such form as required by, and executed in accordance with, the relevant provisions of the GCL. The time of such filing is referred to herein as the "Effective Time."

Section 1.03 Effects of the Merger. The effect of the Merger shall be as provided in this Agreement, the Agreement of Merger and the applicable provisions of the GCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation. The Surviving Corporation shall become a wholly-owned subsidiary of Parent.

Section 1.04 Articles of Incorporation of the Surviving Corporation. At and after the Effective Time, the Articles of Incorporation of Merger Sub, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation of the Surviving Corporation, until amended in accordance with the GCL and such Articles of Incorporation, except that the name of the Surviving Corporation shall be Prisa Networks, Inc.

Section 1.05 By-laws of the Surviving Corporation. At and after the Effective Time, the By-laws of Merger Sub, as in effect immediately prior to the Effective Time, shall be the By-laws of the Surviving Corporation, until amended in accordance with the GCL, except that the name of the Surviving Corporation shall be Prisa Networks, Inc.

Section 1.06 Directors and Officers of the Surviving Corporation.

(a) The directors of Merger Sub immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation and shall hold office from the Effective Time until their respective successors are duly elected or appointed and qualified in the manner provided in the Articles of Incorporation or By-laws of the Surviving Corporation or as otherwise provided by law.

(b) The officers of Merger Sub immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation and shall hold office from the Effective Time until their respective successors are duly elected or appointed and qualified in the manner provided in the Articles of Incorporation or By-laws of the Surviving Corporation or as otherwise provided by law.

Section 1.07 Closing. Subject to the provisions of this Agreement, the closing of the Merger (the "Closing") shall take place at 10:00 a.m., Eastern Time, at the offices of EMC Corporation, 35 Parkwood Drive, Hopkinton, Massachusetts on a date to be specified by Parent and the Company which shall be no later than the second (2<sup>nd</sup>) business day after satisfaction or waiver of the latest to occur of the conditions set forth in Articles VII and VIII (other than delivery of items to be delivered at the Closing and other than those conditions that by their nature are to be satisfied at the Closing, it being understood that the occurrence of the Closing shall remain subject to the delivery of such items and the satisfaction or waiver of such conditions at the Closing) or on such other date and such other time and place as Parent and the Company shall mutually agree. The date on which the Closing shall occur is referred to herein as the "Closing Date."

## ARTICLE II. CONVERSION AND EXCHANGE OF SECURITIES.

Section 2.01 Conversion of Capital Stock. At the Effective Time:

(a) Company Stock. Subject to this Article II, by virtue of the Merger and without any action on the part of the Company Stockholders or the holders of the capital stock of Merger Sub, except for Dissenting Shares, all of the shares of Company Stock issued and outstanding immediately prior to the Effective Time shall in the aggregate be converted into the right to receive the Merger Consideration (as defined below) in cash, payable to the holders thereof, without interest, upon the surrender of the Certificates (as defined in Section 2.02(a)); provided, however, that (x) all of the Merger Consideration and (y) a portion (the "Bridge Loan Escrow Funds") of the Bridge Loan Repayment (as defined in Section 2.01(a)(i)) equal to the difference between (A) \$5,300,000 minus (B) the aggregate amount of the Merger Consideration shall be delivered into escrow pursuant to Section 2.02 and held in accordance with the Escrow Agreement (as defined in Section 2.02). The aggregate amount delivered into escrow pursuant to Section 2.02 shall be referred to herein as the "Escrow Funds." The aggregate "Merger Consideration" shall equal \$22,000,000 minus the amount of the Bridge Loan Repayment, minus the amount of Transaction Expenses (as defined in Section 2.01(a)(ii)), and minus the amount of Working Capital Loan Funds (as defined in Section 2.01(a)(iii)), if any. Except for Dissenting Shares, all shares of Company Stock, when so converted, shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a Certificate representing any such shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration therefor pursuant to this Section 2.01(a), without interest, upon the surrender of such Certificates in accordance with Section 2.02. The allocation of the aggregate Merger Consideration among the Company Stockholders, including the holders of the Company Common Stock and the Company Preferred Stock, shall be as set forth in Schedule 2.01(a) hereto, which schedule lists the name and mailing address of each Company Stockholder and the types and number of shares of Company Stock owned by each such Company Stockholder. Immediately prior to the Closing, the Company shall, if necessary, update Schedule 2.01(a) hereto to reflect any changes to the amount of Merger Consideration that the holders of Company D Preferred Stock shall have the right to receive by virtue of the Merger solely in connection with (1) any changes to Schedule

2.01(a)(i) hereto pursuant to Section 2.01(a)(i), and (2) any changes to Schedule 2.01(a)(ii) hereto pursuant to Section 2.01(a)(ii).

(i) Bridge Loan Repayment. "Bridge Loan Repayment" shall mean the aggregate amount to be delivered by the Company to the holders (individually, a "Company Note Holder," and collectively, the "Company Note Holders," and collectively with the Company Stockholders, the "Company Securityholders") of all the then outstanding Company Notes (as defined in Section 3.03(d)) to satisfy in full the obligations under all such notes and in consideration for cancellation of the warrants to purchase shares of the Company's capital stock issued in connection with such notes (the "Bridge Warrants"), for the release of all Liens (as defined in Section 3.07(a)) on the assets of the Company relating thereto and for the relinquishment of all other rights, priorities, privileges or entitlements related thereto (collectively, the "Company Bridge Obligations"). The portion of the Bridge Loan Repayment (A) payable to each Company Note Holder in respect of the Company Notes held by such Company Note Holder and (B) to be delivered by Parent on behalf of such Company Note Holder as Bridge Note Escrow Funds to the Escrow Agent shall be as set forth on Schedule 2.01(a)(i) hereto, which schedule lists the name and mailing address of each Company Note Holder and the aggregate amount to be paid to each Company Note Holder to satisfy in full the Company Bridge Obligations. Immediately prior to the Closing, the Company shall, if necessary, update Schedule 2.01(a)(i) hereto to reflect any changes to the portion of the Bridge Loan Repayment (A) payable to each Company Note Holder in respect of the Company Notes held by such Company Note Holder and (B) to be delivered by Parent on behalf of such Company Note Holder as Bridge Note Escrow Funds to the Escrow Agent; provided, that, except as contemplated by Section 5.04, in no event shall the Company Notes outstanding exceed \$5,750,000 in aggregate principal amount. At the Closing, Parent, on behalf of the Company, shall deliver (1) the appropriate portion of the Bridge Loan Repayment (minus such Company Note Holder's pro rata interest in the Bridge Loan Escrow Funds) in cash to each Company Note Holder in accordance with Schedule 2.01(a)(i) hereto and (2) the Bridge Loan Escrow Funds to the Escrow Agent, in full payment of such Company Notes and the Company Notes, and the Bridge Warrants shall be cancelled and any Liens on the assets of the Company relating thereto shall be released.

(ii) Transaction Expenses. "Transaction Expenses" shall mean any and all legal, accounting, investment banking, financial advisory, brokerage and other fees incurred by the Company (or for which the Company may reimburse others on or before Closing or may otherwise be obligated to reimburse others or may be or may become liable) in connection with this Agreement, the Merger or any of the transactions contemplated hereby, all of which are listed on Schedule 2.01(a)(ii) hereto. The Company shall deliver to Parent on the date hereof an interim Schedule 2.01(a)(ii) hereto, setting forth all Transaction Expenses incurred to date. Immediately prior to the Closing, the Company shall update Schedule 2.01(a)(ii) hereto to reflect such Transaction Expenses through the

Closing. At the Closing, Parent, on behalf of the Company, shall pay the Transaction Expenses in accordance with Schedule 2.01(a)(ii) hereto, as so amended.

(iii) Working Capital Loan Funds. "Working Capital Loan Funds" shall mean funds loaned to the Company, together with all unpaid and accrued interest, by Parent and/or any Third Party WCL Lender (as defined in Section 5.04) pursuant to Section 5.04, which amount (A) shall be the aggregate amount required to be delivered by the Company to Parent and/or the Third Party WCL Lenders to satisfy in full all of the Company's obligations with respect to such indebtedness and for the release of all Liens on the assets of the Company relating thereto, and (B) shall not, without the prior written consent of Parent and subject to Section 12.12, exceed \$300,000 in the aggregate.

(b) Capital Stock of Merger Sub. Each share of common stock, no par value, of Merger Sub ("Merger Sub Common Stock") issued and outstanding immediately prior to the Effective Time shall be converted into and become one fully paid and nonassessable share of common stock, no par value, of the Surviving Corporation.

(c) Company Stock Options, Company Stock Awards and Company Warrants. Each Company Stock Option (as defined in Section 3.03(b)), Company Stock Award (as defined in Section 3.03(b)) and Company Warrant (as defined in Section 3.03(c)), except any Company Warrants identified on Schedule 2.01(c) hereto (collectively, the "Third Party Warrants"), that are outstanding immediately prior to the Effective Time, whether or not then vested or exercisable, shall, effective as of the Effective Time, be cancelled and terminated in accordance with the terms of the Company Stock Plans (as defined in Section 3.03(a)) or agreements, arrangements or instruments, as applicable. Prior to Closing, the Company shall (i) obtain any consents from holders of Company Stock Options, Company Stock Awards and Company Warrants and (ii) amend the terms of any equity plans, agreements, arrangements or instruments, in each case as is necessary to effect the provisions of this Section 2.01(c). The Company will use all reasonable efforts to cancel and terminate all Third Party Warrants.

Section 2.02 Escrow Agreement. As of the Closing, Parent shall deliver the Escrow Funds to Wilmington Trust Company, as escrow agent (the "Escrow Agent") under the Escrow Agreement dated as of date hereof by and among Parent, the Company Securityholders, and the Escrow Agent (the "Escrow Agreement"). The Escrow Funds shall be held by the Escrow Agent for the period set forth in the Escrow Agreement to satisfy the Company Securityholders' indemnification obligations under Article IX and shall be subject to forfeiture upon the occurrence of certain events pursuant to the terms and provisions of the Escrow Agreement. An aggregate amount of \$3,300,000 of the Escrow Funds shall be available to fund Damages (as defined in Section 9.05) pursuant to Section 9.02(a) (the "General Escrow Fund"). An Aggregate of \$2,000,000 of the Escrow Fund shall be available to fund Damages pursuant to Section 9.02(b) (the "Compaq Escrow Fund").

Section 2.03 Responsibility for Taxes. Each Company Stockholder shall bear any applicable Taxes (as defined in Section 3.16) imposed on such Company Stockholder in connection with the exchange of such Company Stockholder's shares of Company Stock for Merger Consideration pursuant to the Merger and the other transactions contemplated in this Agreement.

Section 2.04 Dissenters' Rights. Notwithstanding anything to the contrary contained in this Agreement, any shares of capital stock of the Company that, as of the Effective Time, are or may become "dissenting shares" within the meaning of Section 1300(b) of the GCL (collectively, the "Dissenting Shares") shall not be converted into or represent the right to receive the Merger Consideration in accordance with Section 2.01(a), and the holder or holders of such shares shall be entitled only to such rights as may be granted to such holder or holders in Chapter 13 of the GCL; provided, however, that if a holder withdraws his or her demand for such payment or appraisal pursuant to the GCL or if the status of any such shares as "Dissenting Shares" shall not be perfected, or if any such shares shall lose their status as "Dissenting Shares," then, as of the later of the Effective Time or such event of withdrawal or ineligibility, such shares shall automatically be converted into and shall represent only the right to receive (upon the surrender of the certificate or certificates representing such shares) the Merger Consideration in accordance with Section 2.01(a). The Company shall give Parent (i) prompt notice of any written demands received by the Company prior to the Effective Time to require the Company to purchase shares of Company Stock pursuant to Chapter 13 of the GCL, any attempted withdrawals of such demands and any other instruments delivered to the Company pursuant to Chapter 13 of the GCL and (ii) the opportunity to direct, at its sole expense, all negotiations and proceedings with respect to demands for the purchase of shares under Chapter 13 of the GCL. The Company shall not, except with the prior written consent of Parent, or as required under the GCL, voluntarily make any payment with respect to, or settle or offer to settle, any such demand for the purchase of shares.

#### Section 2.05 Exchange of Certificates.

(a) Exchange Procedures. As of the Effective Time, a bank or trust company to be designated by Parent and reasonably acceptable to the Company (the "Paying Agent") shall act as paying agent in effecting the exchange of the Certificates (as defined below) pursuant to the provisions of this Section 2.05(a). Parent shall deposit, from time to time, with the Paying Agent such amounts as are necessary for the Paying Agent to comply with the procedures below. Promptly after the Effective Time, the Paying Agent shall mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of Company Stock (the "Certificates") that were converted pursuant to Section 2.01(a) into the right to receive Merger Consideration (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Paying Agent (as agent for Parent) and shall be in such form and have such other provisions as Parent may reasonably specify that are not inconsistent with the terms of this Agreement), and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration. Upon surrender of a Certificate for cancellation to the Paying Agent (as agent for Parent) together with such letter of transmittal, duly executed, and such other customary documents as may be



required pursuant to such instructions, the holder of such Certificate shall be entitled to receive in exchange therefor the appropriate amount of Merger Consideration as provided in Schedule 2.01(a) hereto, after giving effect to any tax withholdings and subject to the terms and conditions of the Escrow Agreement, and the Certificate so surrendered shall forthwith be canceled. Until so surrendered, each outstanding Certificate that, prior to the Effective Time, represented shares of Company Stock will be deemed, from and after the Effective Time, for all corporate purposes, to represent only the right to receive upon surrender the appropriate amount of Merger Consideration as provided in Schedule 2.01(a) hereto when and if such amount is released from escrow pursuant to the Escrow Agreement.

(b) Transfers of Ownership. In the event of a transfer of ownership of shares of Company Stock which is not registered in the transfer records of the Company as of the Effective Time, the appropriate amount of Merger Consideration shall be paid to a transferee if the Certificate evidencing such Company Stock is presented to Parent, accompanied by all documents required to evidence and effect such transfer pursuant to this Section 2.05(b) and by evidence reasonably acceptable to Parent that any applicable stock transfer taxes have been paid or are not payable.

(c) No Liability. Neither Parent, Merger Sub nor the Surviving Corporation, nor any of their respective directors, officers, employees or agents, shall be liable to any Company Stockholder for any amounts delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(d) Withholding Rights. Parent shall be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Agreement to any Company Stockholder such amounts as Parent may determine in its reasonable discretion it may be required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code of 1986, as amended (the "Code"), or any provision of state, local or foreign tax law. For all purposes of this Agreement, any amount withheld in accordance with this Section 2.05(d) shall be treated as if paid to such Company Stockholder.

(e) No Further Ownership Rights in Company Stock. At the Effective Time, the stock transfer books of the Company shall be closed, and thereafter there shall be no further registration of transfers on the stock transfer books of the Company or the Surviving Corporation of the shares of Company Stock that were outstanding immediately prior to such time. If, after such time, Certificates are presented to the Surviving Corporation or Parent for any reason, they shall be canceled and exchanged as provided in this Section 2.05.

(f) Lost, Stolen or Destroyed Certificates. In the event any Certificates shall have been lost, stolen or destroyed, Parent shall deliver in exchange therefor, upon the making of an affidavit of that fact by the holder thereof, the appropriate amount of Merger Consideration as provided in Schedule 2.01(a) hereto; provided, however, that Parent may, in its sole discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed Certificates to deliver an agreement of

indemnification in form satisfactory to Parent, or a bond in such sum as Parent may reasonably direct as indemnity against any claim that may be made against Parent with respect to the Certificates alleged to have been lost, stolen or destroyed.

(g) Taking of Necessary Action; Further Action. Each of Parent, Merger Sub and the Company will take all such reasonable and lawful action as may be necessary or appropriate in order to effectuate the Merger in accordance with this Agreement as promptly as possible. If, at any time after the Effective Time, any such further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of the Company and Merger Sub, the officers and directors of the Company and Merger Sub immediately prior to the Effective Time are fully authorized in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary action.

### ARTICLE III. REPRESENTATIONS AND WARRANTIES BY THE COMPANY.

The Company represents and warrants to Parent and Merger Sub that, except as set forth in the written disclosure schedule prepared by the Company which is dated as of the date hereof (except as otherwise specifically provided for herein) and arranged in paragraphs corresponding to the numbered and lettered paragraphs contained in this Article III and was previously delivered to Parent in connection herewith (the "Disclosure Schedule") (disclosure in any paragraph of the Disclosure Schedule shall qualify only the corresponding paragraph in this Article III), as of the date hereof and as of the Closing Date, except where another date is specified:

Section 3.01 Organization and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has the requisite corporate power and authority necessary to own, lease and operate the properties it purports to own, lease or operate and to carry on its business as it is now being conducted. The Company is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities makes such qualification or licensing necessary, except for such failures to be so duly qualified or licensed and in good standing that would not reasonably be expected to have a Material Adverse Effect (as defined below). The Company has no subsidiaries and does not, directly or indirectly, own or control any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, any corporation, partnership, limited liability company, joint venture or other business association or entity. The term "Material Adverse Effect" means any change, effect or circumstance that, individually or when taken together with all other such similar or related changes, effects or circumstances that have occurred prior to the date of determination of the occurrence of the Material Adverse Effect, (a) is materially adverse to the business, assets (including intangible assets), liabilities, capitalization, condition (financial or other), results of operations or prospects of the Company, (b) may materially delay or prevent the consummation

of the transactions contemplated hereby, or (c) may materially impair the ability of Parent to operate the business of the Company immediately after the Closing.

**Section 3.02 Articles of Incorporation and By-Laws.** The Company has heretofore furnished to Parent a true, complete and correct copy of its Articles of Incorporation, as amended to date (the "Company Charter"), and By-Laws, as amended to date (the "Company By-Laws"). Such Company Charter and Company By-Laws are in full force and effect. The Company has at all times complied with all of the provisions of the Company Charter and the Company By-laws and is not in default under, or in violation of, any such provision.

**Section 3.03 Capitalization.**

(a) The authorized capital stock of the Company (immediately prior to the Closing) consists of 28,000,000 shares of Company Common Stock and 11,218,814 shares of Company Preferred Stock, of which 630,000 shares have been designated as Company A-1 Preferred Stock, 1,222,570 shares have been designated as Company A-2 Preferred Stock, 236,967 shares have been designated as Company B Preferred Stock, 2,950,000 shares have been designated as Company C Preferred Stock and 6,179,277 shares have been designated as Company D Preferred Stock. As of the date hereof: (i) 2,477,261 shares of Company Common Stock, 630,000 shares of Company A-1 Preferred Stock, 1,222,570 shares of Company A-2 Preferred Stock, 236,966 shares of Company B Preferred Stock, 2,935,000 shares of Company C Preferred Stock and 4,937,605 shares of Company D Preferred Stock are issued and outstanding; (ii) an aggregate of 3,200,000 shares of Company Common Stock have been authorized and reserved for issuance upon (A) the exercise of Company Stock Options granted under the Prisa Networks, Inc. 2001 Stock Option/Stock Issuance Plan, as amended (the "2001 Company Stock Plan"), and the Prisa Networks, Inc. 1995 Stock Option/Stock Issuance Plan, as amended (the "1995 Company Stock Plan," and, together with the 2001 Company Stock Plan, the "Company Stock Plans"), and (B) the grant of Company Stock Awards under the Company Stock Plans; and (iii) no shares of Company Stock were issued and held in the treasury of the Company. As of immediately prior to the Closing, all issued and outstanding shares of Company A-1 Preferred Stock, Company A-2 Preferred Stock, Company B Preferred Stock and Company C Preferred Stock shall have been duly and validly converted, pursuant to and in accordance with the Company Charter, into shares of Company Common Stock. Schedule 2.01(a) hereto sets forth a true, complete and correct list of all holders of Company Stock, indicating, with respect to each such holder, the number and type of shares of Company Stock so held as of the date hereof and as of immediately prior to the Closing. The Company has no authorized or issued and outstanding capital stock other than the Company Stock described above.

(b) Section 3.03(b) of the Disclosure Schedule sets forth a true, complete and correct list of all holders of (i) outstanding options to purchase shares of Company Stock (collectively, the "Company Stock Options") and (ii) outstanding awards of Company Stock (collectively, the "Company Stock Awards") in each case granted under the Company Stock Plans or otherwise, indicating, with respect to each Company Stock Option or Company Stock Award, the number of shares of Company Stock subject to such Company Stock Option or Company Stock Award, the relationship of the holder of

such Company Stock Option or Company Stock Award to the Company, and the exercise price, date of grant, vesting schedule (including the terms of vesting) and expiration date thereof, including the extent to which any vesting has occurred as of the date hereof and whether (and to what extent) the vesting of such Company Stock Option or Company Stock Award will be accelerated in any way by the consummation of the transactions contemplated by this Agreement or by the termination of employment or engagement or change in position of any holder thereof following or in connection with the consummation of the Merger. The Company has provided to Parent a true, complete and correct copy of the Company Stock Plans and the forms of all stock option agreements evidencing Company Stock Options and stock issuance agreements evidencing Company Stock Awards.

(c) Section 3.03(c) of the Disclosure Schedule sets forth a true, complete and correct list of all holders of outstanding warrants to purchase shares of Company Stock (collectively, the "Company Warrants"), indicating, with respect to each Company Warrant, the number of shares of Company Stock and the type of Company Stock subject to such Company Warrant, the relationship of the holder of such Company Warrant to the Company, and the exercise price (including terms of exercisability), date of grant, expiration date and vesting schedule (including the terms of vesting), if any, thereof, including the extent to which any vesting has occurred as of the date hereof and whether (and to what extent) the vesting of such Company Warrant will be accelerated in any way by the consummation of the transactions contemplated by this Agreement or by the termination of employment or engagement or change in position of any holder thereof following or in connection with the consummation of the Merger. The Company has provided to Parent a true, complete and correct copy of each of the Company Warrants.

(d) Section 3.03(d) of the Disclosure Schedule sets forth a true, complete and correct list of all holders of outstanding notes evidencing indebtedness of the Company (collectively, the "Company Notes"), indicating, with respect to each Company Note, the number of shares of Company Stock and the type of Company Stock into which such Company Note is convertible, the relationship of the holder of such Company Note to the Company, and the principal amount, interest rate, date of issuance, date of maturity, and whether (and to what extent) the payment terms of such Company Note will be accelerated in any way by the consummation of the transactions contemplated by this Agreement. The Company has provided to Parent a true, complete and correct copy of each of the Company Notes.

(e) The Company Stock, the Company Stock Options, the Company Stock Awards, the Company Warrants and the Company Notes collectively shall be referred to herein as the "Company Securities." Except for the Company Securities set forth in Schedule 2.01(a) hereto or Sections 3.03(b), 3.03(c), 3.03(d) and 3.03(e) of the Disclosure Schedule: (i) no capital stock of the Company or any security exchangeable into or exercisable for such capital stock, is issued, reserved for issuance or outstanding; and (ii) there are no options, preemptive rights, warrants, calls, rights, commitments or agreements of any character to which the Company is a party, or by which the Company is bound, obligating the Company to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock of the Company or obligating the Company or

to grant, extend or accelerate the vesting of or enter into any such option, warrant, call, right, commitment or agreement. Except as set forth in Section 3.03(e) of the Disclosure Schedule, (i) there are no stockholder agreements, voting trusts, proxies or other similar agreements or understandings with respect to the shares of capital stock of the Company, (ii) there are no rights or obligations, contingent or otherwise (including without limitation rights of first refusal in favor of the Company), of the Company to repurchase, redeem or otherwise acquire any shares of capital stock of the Company or to provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in any entity, and (iii) there are no registration rights or other agreements or understandings to which the Company is a party or by which it or they are bound with respect to any capital stock of the Company.

(f) All of the outstanding Company Securities are, and all shares of Company Stock reserved for issuance as specified above shall be, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of any purchase option, call option, right of first refusal, pre-emptive right, subscription right or any similar right under any provision of the GCL, the Company Charter or the Company By-Laws or any agreement to which the Company is a party or otherwise bound. Except as set forth in Section 3.03(f) of the Disclosure Schedule, none of the Company Securities have been issued in violation of any federal or state securities laws. There are no accrued and unpaid dividends with respect to any Company Securities.

#### Section 3.04 Authority.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and each instrument required hereby to be executed and delivered by it at the Closing and to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and each instrument required hereby to be executed and delivered at the Closing by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of the Company. This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent and Merger Sub of this Agreement, constitutes the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

(b) The Representative has all necessary power and authority to execute and deliver this Agreement and the Escrow Agreement and each instrument required hereby to be executed and delivered by him at the Closing, in his own name and on behalf of the Company Securityholders, and to perform his obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. Each of this Agreement and the Escrow Agreement has been duly and validly executed and delivered

by the Representative and the Company Securityholders and, assuming the due authorization, execution and delivery by Parent and Merger Sub of this Agreement and, Parent and the Escrow Agent of the Escrow Agreement, constitutes the legal, valid and binding obligation of the Representative, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

(c) The Board of Directors of the Company (the "Company Board") has unanimously determined that it is advisable and in the best interests of the Company Stockholders for the Company to enter into a merger with Merger Sub upon the terms and subject to the conditions of this Agreement, and has unanimously recommended that the Company Stockholders approve and adopt this Agreement and the Merger. None of these actions by the Company Board has been amended, rescinded or modified in any respect. The affirmative vote of (i) the holders of a majority of the outstanding shares of Company D Preferred Stock, voting together as a single separate series, (ii) the holders of a majority of the outstanding shares of Company Series A-1 Stock, Company Series A-2 Stock, Company Series B Stock and Company Series C Stock, voting together as if a single class on an as-converted basis, (iii) the holders of a majority of the outstanding shares of Company Preferred Stock, voting together as a single class on an as-converted basis, (iv) the holders of a majority of the outstanding shares of Company Common Stock, voting together as a single class, and (v) the holders of a majority of the outstanding shares of Company Stock, voting together as if a single class on an as-converted basis, are the only votes of the holders of any class or series of the Company's capital stock necessary to approve and adopt this Agreement and to approve the Merger and the transactions contemplated hereby (the foregoing votes being referred to herein as the "Requisite Stockholder Approval"). The Company Stockholders who have duly and validly executed and delivered written consents to the Company in favor of the approval and adoption of this Agreement and the approval of the Merger and the transactions contemplated hereby hold in the aggregate a sufficient number of shares of Company Stock to constitute the Requisite Stockholder Approval, and this Agreement has been approved and adopted and the Merger and the transactions contemplated hereby have been approved by the Company Stockholders. None of these actions by the Company Stockholders has been amended, rescinded, revoked or modified in any respect.

Section 3.05 Anti-Takeover Statute Not Applicable. No "business combination," "fair price," "moratorium," "control share acquisition" or other similar anti-takeover statute or regulation (each a "Takeover Statute") is applicable to the Company, the shares of Company Stock, the Merger or any of the other transactions contemplated by this Agreement.

Section 3.06 Agreements, Contracts and Commitments.

(a) Except for those listed on Section 3.06 of the Disclosure Schedule (each, a "Material Contract," and, collectively, the "Material Contracts"), the Company is not a party to or subject to any agreement, contract, commitment, arrangement, understanding, lease, license, sales or purchase order, warranty, plan or other instrument (i) containing

non-competition or similar restrictive provisions, including without limitation any agreement under which the Company (A) is restricted from selling, licensing or otherwise distributing any of its technology or products or providing services to customers or potential customers or any class of customers, including without limitation resellers or other distributors, in any geographic area, during any period of time, or in segment of any market or line of business, (B) is required to give favored pricing to any customers or potential customers or any class of customers or to provide exclusive or favored access to any product features to any customers or potential customers or any class of customers, or (C) has agreed to purchase a minimum amount of goods or services or has agreed to purchase good or services exclusively from a certain party, (ii) under which the Company has granted or is obligated to grant access to its source code or object code or any open license or has licensed or has the right to obtain any source code or object code or any open license of any third party (including without limitation in any such case any conditional right to access or the establishment of any escrow arrangement), (iii) under which the Company is obligated to make royalty payments to third parties (including without limitation in any such case any conditional obligation to make royalty payments to third parties), (iv) with consultants involved in the development of any of the Company's products or services, (v) which are material to the Company's business, assets (including intangible assets), liabilities, capitalization, prospects, condition (financial or other) or results of operations, (vi) under which the Company has entered into a partnership, joint venture or similar relationship, (vii) providing for the lease of personal property from or to third parties with lease payments in excess of \$10,000 per annum or having a remaining term longer than six (6) months, (viii) under which it has created, incurred, assumed or guaranteed (or may create, incur, assume or guarantee) indebtedness (including capitalized lease obligations) involving more than \$10,000 or under which it has imposed (or may impose) a Lien (as defined in Section 3.07(a)) on any of its assets, tangible or intangible, (ix) for the disposition of any significant portion of the assets or business of the Company (other than sales of products in the ordinary course of business) or any agreement for the acquisition of the assets or business of any other entity (other than purchases of inventory or components in the ordinary course of business), (x) involving any current or former officer, director or stockholder of the Company or an affiliate thereof, (xi) under which the consequences of a default or termination would reasonably be expected to have a Material Adverse Effect, (xii) which contains any provisions requiring the Company to indemnify any other party (excluding indemnities contained in agreements for the purchase, sale or license of products entered into in the ordinary course of business, and (xiii) the performance of which involves consideration paid by the Company in excess of \$25,000 in any one (1) year period. The Company has furnished to Parent true, complete and correct copies of each Material Contract.

(b) Except as disclosed in Section 3.06(b) of the Disclosure Schedule, the Company is not a party to any agreement, arrangement or understanding under which, in connection with or as a result of the consummation of the transactions contemplated hereby, a third party would be entitled to receive a license or any other right to intellectual property of (i) Parent or any of Parent's subsidiaries or affiliates other than the Company or (ii) the Company developed after the Closing.

(c) (i) The Company has not breached, is not in default under, and has not received written notice of any breach of or default under, any Material Contract, (ii) to the Company's knowledge, no other party to any Material Contract has breached or is in default of any of its obligations thereunder, (iii) each Material Contract is in full force and effect and (iv) each Material Contract is a legal, valid and binding obligation of the Company and, to the Company's knowledge, each of the other parties thereto, enforceable in accordance with its terms, except that the enforcement thereof may be limited by (A) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (B) general principles of equity. Each Material Contract will remain in full force and effect and will continue to be a legal, valid and binding obligation of the Surviving Corporation and each of the other parties thereto immediately following the Closing as in effect immediately prior to the Closing.

### Section 3.07 No Conflict; Required Filings and Consents.

(a) Except as disclosed in Section 3.07(a) of the Disclosure Schedule, the execution and delivery of this Agreement, the Escrow Agreement and each instrument required hereby or thereby to be executed and delivered by the Company at the Closing does not, and the performance of this Agreement and the Escrow Agreement by the Company will not, (i) conflict with or violate the Company Charter or fl Company By-Laws, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to the Company or by which any of its properties is bound or affected, or (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default), or impair the Company's rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any security interest, lien, claim, pledge, agreement, limitation in voting rights, charge or other encumbrance of any nature whatsoever (collectively, "Liens") on any of the properties or assets (including intangible assets) of the Company pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company is a party or by which the Company or any of its properties is bound or affected, except in the cases of clauses (ii) and (iii) above, where such conflict, breach, default or other violation would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Except as disclosed in Section 3.07(b) of the Disclosure Schedule, the execution and delivery of this Agreement or any instrument required hereby to be executed and delivered by the Company at the Closing does not, and the performance of this Agreement by the Company will not, require any consent, approval, license, authorization or permit of, or filing with or notification to, any person or entity, including without limitation, any court, arbitrational tribunal, administrative or regulatory agency or commission or other governmental authority or instrumentality (whether domestic or foreign, a "Governmental Entity"), except (i) those listed on Section 3.07(b) of the Disclosure Schedule, (ii) the filing and recordation of the Agreement of Merger or other documents as required by the GCL and (iii) such other consents, approvals,



authorizations or permits which, if not obtained or made, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

**Section 3.08 Compliance; Permits.**

(a) The Company is and has been in compliance with and is not in default or violation of (and has not received any notice of non-compliance, default or violation with respect to), each law, rule, regulation, order, judgment or decree applicable to the Company or by which any of its owned or leased properties is bound or affected, except where the failure to be in compliance with or default or violation with respect to, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and the Company is not aware of any material non-compliance, default or violation thereunder.

(b) The Company holds all permits, licenses, easements, variances, exemptions, consents, certificates, authorizations, registrations, orders and other approvals from Governmental Entities necessary to the operation of the business of the Company as it is now being conducted, except for those the failure to hold would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect (collectively, the "Company Permits"). The Company is in material compliance with the terms of the Company Permits. The Company Permits are in full force and effect, have not been violated and, to the Company's knowledge, no suspension, revocation or cancellation thereof has been threatened, and there is no action, proceeding or investigation pending or, to the Company's knowledge, threatened, regarding suspension, revocation or cancellation of any Company Permits. No Company Permit shall cease to be effective as a result of the consummation of the transactions contemplated by this Agreement.

**Section 3.09 Financial Statements.** Attached hereto as Section 3.09 of the Disclosure Schedule are the following financial statements (collectively, the "Financial Statements"): (i) consolidated audited balance sheets and statements of income, changes in stockholders' equity and cash flow as of, and for the fiscal years ended, December 31, 1999, 2000 and 2001 for the Company (collectively, the "Audited Financial Statements"), and (ii) consolidated unaudited balance sheet as of and statements of income and cash flows for the period ended June 30, 2002 for the Company (the "Interim Financial Statements"). The Financial Statements are true, complete and correct, are in accordance with the books and records of the Company, present fairly the financial condition, results of operations and cash flows of the Company, as at the dates and for the periods indicated, and have been prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied.

**Section 3.10 Absence of Changes.** Since the date of the Company's consolidated balance sheet as of June 30, 2002 (the "Balance Sheet"), and except as disclosed in Section 3.10 of the Disclosure Schedule, the Company has conducted its business in the ordinary course consistent with past practice and, since such date, there has not occurred any change, development, event or other circumstance, situation or state of affairs that has had or would reasonably be expected to have a Material Adverse Effect. Without limiting the foregoing, since the date of the Balance Sheet, the Company has not, except as disclosed in Section 3.10 of the

Disclosure Schedule: (a) incurred any indebtedness for purchase money or borrowed money in excess of \$10,000 (singly or in the aggregate); (b) mortgaged, pledged or subjected to any Lien any of its properties or assets (tangible or intangible); acquired or disposed of any assets or properties having a value in excess of \$25,000 (singly or in the aggregate); (c) forgiven or canceled any debts or claims, or waived any rights, having a value in excess of \$10,000; (d) made any payment of any nature to any Company Stockholder other than salary payable in the ordinary course of business consistent with past practices; (e) adopted or amended, in any material respect, any bonus, profit-sharing, stock option, pension, retirement, deferred compensation, severance, termination or other material plan, agreement, trust, fund or arrangement for the benefit of employees; or (f) made any change in its accounting methods, principles or practices.

### Section 3.11 No Undisclosed Liabilities.

(a) Except as reflected in the Balance Sheet, or as disclosed in Section 3.11 of the Disclosure Schedule, the Company does not have any liabilities (whether known or unknown and whether absolute or contingent) which are required by GAAP to be set forth on a consolidated balance sheet of the Company or in the notes thereto, other than liabilities which have arisen since the date of the Balance Sheet in the ordinary course of business, which are similar in nature and amount to the liabilities which arose during the comparable period of time in the immediately preceding fiscal period and which in no event, individually or in the aggregate, would reasonably be expected to exceed \$25,000. fl There is no probable or reasonable possible loss contingency (within the meaning of Statement of Financial Accounting Standards No. 5) known to the Company which is not reflected in the Balance Sheet or the notes thereto.

(b) The Company is not a party to, and has no commitment to become a party to, any joint venture, partnership agreement or any contract including without limitation any transaction, arrangement or relationship between the Company, on the one hand, and any unconsolidated affiliate, including without limitation any structured finance, special purpose or limited purpose entity or person, on the other hand, related to or associated with off balance sheet financing, including arrangements for the sale of receivables.

Section 3.12 Absence of Litigation. Except as disclosed in Section 3.12 of the Disclosure Schedule, there are no claims, actions, suits, proceedings or investigations (i) pending against the Company or any of its owned or leased properties or assets, tangible or intangible, or (ii) to the Company's knowledge, threatened against the Company or any of its properties or assets, or (iii) whether filed or threatened, that have been settled or compromised by the Company within the three (3) years prior to the date hereof and at the time of such settlement or compromise were material. The Company is not subject to any outstanding order, writ, injunction or decree that would reasonably be expected to have a Material Adverse Effect.

### Section 3.13 Employee Benefit Plans.

(a) Section 3.13(a) of the Disclosure Schedule sets forth a complete and accurate list of all Employee Benefit Plans maintained, or contributed to, by the Company or any of its ERISA Affiliates for the benefit of current or former employees of

the Company (collectively, the "Company Employee Plans"). For purposes of this Agreement, the following terms shall have the following meanings: (i) "Employee Benefit Plan" means any "employee pension benefit plan" (as defined in Section 3(2) of ERISA), any "employee welfare benefit plan" (as defined in Section 3(1) of ERISA), and any other written or oral plan, agreement or arrangement involving direct or indirect compensation, including insurance coverage, severance benefits, disability benefits, deferred compensation, bonuses, stock options, stock purchase, phantom stock, stock appreciation or other forms of incentive compensation or post-retirement compensation and all severance agreements, written or otherwise, for the benefit of, or relating to, any current or former employee of the Company or any ERISA Affiliate; (ii) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended; and (iii) "ERISA Affiliate" means any entity which is, or at any applicable time was, a member of (A) a controlled group of corporations (as defined in Section 414(b) of the Code), (B) a group of trades or businesses under common control (as defined in Section 414(c) of the Code) or (C) an affiliated service group (as defined under Section 414(m) of the Code or the regulations under Section 414(o) of the Code), any of which includes or included the Company.

(b) With respect to each Company Employee Plan, the Company has furnished to Parent a complete and accurate copy of (i) such Company Employee Plan (or a written summary of any unwritten plan) together with all amendments, (ii) in the case of any plan for which Forms 5500 are required to be filed, the two most recent annual report (Form 5500) with schedules attached, (iii) in the case of any plan that is intended to be qualified under Section 401(a) of the Code, the most recent determination letter from the Internal Revenue Service ("IRS"), (iv) each trust agreement, group annuity contract, administration and similar agreements, investment management or investment advisory agreements, (v) summary plan descriptions, employee handbooks, or other similar employee communications, (vi) all personnel, payroll and employment manuals and policies, and (vii) the most recent financial statements for each Company Employee Plan that is funded.

(c) Each Company Employee Plan has been administered in all material respects in accordance with ERISA, the Code and all other applicable laws and the regulations thereunder (including without limitation Section 4980 B of the Code, Subtitle K, Chapter 100 of the Code and Sections 404(c), 601 through 608 and Section 701 et seq. of ERISA) and in accordance with its terms and each of the Company and its ERISA Affiliates have in all material respects met its obligations with respect to such Company Employee Plan and has timely made all required contributions thereto. All material filings and reports as to each Company Employee Plan required to have been submitted to the IRS or to the United States Department of Labor have been timely submitted. With respect to the Company Employee Plans, no event has occurred, and, to the Company's knowledge, there exists no condition or set of circumstances in connection with which Parent, Merger Sub, the Company or any plan participant could be subject to any material liability (including penalties or taxes) under ERISA, the Code or any other applicable law, nor will the transactions contemplated by this Agreement give rise to any such liability.

(d) With respect to the Company Employee Plans, there are no material benefit obligations for which contributions have not been made or properly accrued and there are no benefit obligations which have not been accounted for by reserves, or otherwise properly footnoted in accordance with GAAP, on the Financial Statements. The Company has no liability for benefits (contingent or otherwise) under any Company Employee Plan, except as set forth in the Balance Sheet. The assets of each Company Employee Plan which is funded are reported at their fair market value on the books and records of such Employee Benefit Plan.

(e) No Company Employee Plan has assets that include securities issued by the Company or any of its ERISA Affiliates.

(f) All the Company Employee Plans that are intended to be qualified under Section 401(a) of the Code have received determination letters from the IRS to the effect that such Company Employee Plans are qualified and the plans and trusts related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, no such determination letter has been revoked and revocation has not been threatened, and no such Employee Benefit Plan has been amended or operated since the date of its most recent determination letter or application therefor in any respect, and no act or omission has occurred, that would adversely affect its qualification or materially increase its cost. There has been no termination or discontinuance of contributions to any Company Employee Plan that is intended to be qualified under Section 401(a) of the Code without notice to and approval by the IRS, except as disclosed in Schedule 3.13(f). Each Company Employee Plan which is required to satisfy Section 401(k)(3) or Section 401(m)(2) of the Code has been tested for compliance with, and satisfies in all material respects the requirements of Section 401(k)(3) and Section 401(m)(2) of the Code, as the case may be, for each plan year ending prior to the Closing Date.

(g) Neither the Company nor any of its ERISA Affiliates has (i) ever maintained a Company Employee Plan which was ever subject to Section 412 of the Code or Title IV of ERISA or (ii) ever been obligated to contribute to a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA). No Company Employee Plan is funded by, associated with or related to a "voluntary employee's beneficiary association" within the meaning of Section 501(c)(9) of the Code.

(h) Each Company Employee Plan is amendable and terminable unilaterally by the Company at any time without liability to the Company as a result thereof, and no Company Employee Plan, plan documentation or agreement, summary plan description or other written communication distributed generally to employees by its terms prohibits the Company from amending or terminating any such Company Employee Plan, or in any way limits such action.

(i) Other than as required under Section 601 et seq. of ERISA, none of the Company Employee Plans promises or provides health or other welfare benefits or coverage to any person following retirement or other termination of employment. Section 3.13(i) of the Disclosure Schedule lists each Company Employee Plan which provides benefits after termination of employment (other than medical benefits required

to be continued under Section 4980B of the code and part 6 of Subtitle B of Title I of ERISA) and the amount by which the present value of benefits accrued under each such Company Employee Plan exceeds the fair market value of the assets of each such Company Employee Plan.

(j) There is no action, suit, proceeding, claim, arbitration, audit or investigation pending or, to the Company's knowledge, threatened, with respect to any Company Employee Plan, other than claims for benefits in the ordinary course, that would reasonably be expected to result in material liability to the Company or to such Company Employee Plan. No Company Employee Plan is or within the last three calendar years has been the subject of, or has received notice that it is the subject of, examination by a Governmental Entity or a participant in a government sponsored amnesty, voluntary compliance or similar program.

(k) Each individual who has received compensation for the performance of services on behalf of the Company or its ERISA Affiliates has been properly classified as an employee or independent contractor in accordance with applicable law.

(l) No Company Employee Plan covers any employee of the Company or any ERISA Affiliate who is located outside of the United States.

Section 3.14 Labor and Employment Matters. Except as set forth in Section 3.14 of the Disclosure Schedule:

(a) The Company is in compliance with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and is not engaged in any unfair labor practices.

(b) There are no controversies pending or, to the Company's knowledge, threatened, between the Company and any of its employees, consultants or independent contractors. To the Company's knowledge, there are no charges of employment discrimination, sexual harassment or unfair labor practices against the Company or any of its employees.

(c) The Company is not a party to any collective bargaining agreement or other labor union contract applicable to persons employed by the Company, nor does the Company know of any activities or proceedings of any labor union to organize any such employees. There are no, and the Company has no knowledge of any, labor disputes, strikes, slowdowns, work stoppages, lockouts, or threats thereof, by or with respect to any employees of, or consultants or independent contractors to, the Company.

(d) No employee of the Company (i) has an employment agreement, (ii) to the Company's knowledge is in violation of any term of any patent disclosure agreement, non-competition agreement, or any restrictive covenant to a former employer relating to the right of any such employee to be employed by the Company because of the nature of the business conducted or presently proposed to be conducted by the Company or to the use of trade secrets or proprietary information of others, or (iii) in the case of any key employee or group of key employees, has given notice as of the date hereof to the

Company that such employee or any employee in a group of key employees intends to terminate his or her employment with the Company.

(e) Section 3.14(e) of the Disclosure Schedule sets forth a true, complete and correct list of (i) all employees, consultants or independent contractors of the Company as of the date hereof, including, as of such date, their then current base salary or other compensation rate as well as any bonus paid for the fiscal year ended December 31, 2001 or any accrued and unpaid bonus scheduled for or paid or agreed to be paid for any future period; (ii) all employees of the Company who have executed a non-competition agreement with the Company; (iii) all severance or retention agreements, programs and policies of the Company with or relating to its employees, in each case with potential outstanding obligations exceeding \$25,000, excluding programs and policies required to be maintained by law; and (iv) all plans, programs, agreements and other arrangements of the Company with or relating to its employees which contain change in control provisions including any such plans or agreements providing for an increase in vesting of benefits by reason of the Merger. True, complete and correct copies of each of the foregoing agreements has been delivered to Parent.

(f) Except as a result of the transactions contemplated by Section 7.14, the consummation of the transactions contemplated by this Agreement will not, either alone or in combination with another event, (i) entitle any current or former employee or officer of the Company to severance pay, unemployment compensation or any other payment, except as expressly provided in this Agreement, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer. There is no contract, agreement, plan or arrangement, including but not limited to the provisions of this Agreement, covering any employee or former employee of the Company that, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to Sections 280G of the Code (determined without regard to Section 280G(b)(4) of the Code) or 162 of the Code.

(g) The Company is not delinquent in payments to any of its employees, consultants, or independent contractors for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for it to the date hereof or amounts required to be reimbursed to such employees, consultants or independent contractors, except for amounts owed to such persons consistent with past practices for reimbursement of business expenses, which amounts are set forth in Section 3.14(g) of the Disclosure Schedule.

### **Section 3.15 Properties.**

(a) The Company has good, valid and marketable title to, or a valid leasehold interest in, all the properties and assets which it purports to own or lease (real, personal and mixed, tangible and intangible), including, without limitation, all the properties and assets reflected in the Balance Sheet. The Company owns or leases all tangible assets sufficient for the conduct of its business as presently conducted. All properties and assets reflected in the Balance Sheet are free and clear of all Liens, except for Liens reflected on the Balance Sheet and Liens for current taxes not yet due and other Liens that do not

materially detract from the value or impair the use of the property or assets subject thereto.

(b) The Company does not own any real property. Section 3.15 of the Disclosure Schedule sets forth a true, complete and correct list of all real property leased, subleased or licensed by the Company and the location of such premises. The Company has delivered to Parent complete and accurate copies of the foregoing leases. With respect to each lease: (i) such lease is a legal, valid and binding obligation of the Company and, to the Company's knowledge, each of the other parties thereto, enforceable in accordance with its terms, except that the enforcement thereof may be limited by (A) bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally and (B) general principles of equity, and is in full force and effect; (ii) such lease will continue to be a legal, valid and binding obligation of the Company and, to the Company's knowledge, each of the other parties thereto, enforceable in accordance with its terms, except that the enforcement thereof may be limited by (Y) bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally and (Z) general principles of equity, and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect immediately prior to the Closing; (iii) neither the Company nor, to the knowledge of the Company, any other party, is in material breach or violation of, or default under, any such lease, and no event has occurred, is pending or, to the knowledge of the Company, is threatened, which, after the giving of notice, with lapse of time, or otherwise, would constitute a material breach or default by the Company or, to the knowledge of the Company, any other party under such lease; (iv) there are no disputes, oral agreements or forbearance programs in effect as to such lease; and (v) the Company has not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold or subleasehold.

#### Section 3.16 Taxes.

(a) For purposes of this Agreement, "Tax" or "Taxes" shall mean taxes, fees, assessments, liabilities, levies, duties, tariffs, imposts and governmental impositions or charges of any kind payable to any federal, state, local or foreign taxing authority, or any agency or subdivision thereof, including without limitation, (i) income, franchise, profits, gross receipts, *ad valorem*, net worth, value added, sales, use, service, real or personal property, special assessments, capital stock, license, payroll, withholding, employment, social security, workers' compensation, unemployment compensation, utility, severance, production, excise, stamp, occupation, premiums, windfall profits, transfer and gains taxes, and (ii) interest, penalties, fines, additional taxes and additions to tax imposed with respect thereto; and "Tax Returns" shall mean returns, reports and information statements with respect to Taxes required to be filed with a taxing authority, domestic or foreign, including without limitation, consolidated, combined or unitary tax returns.

(b) Except as set forth in Section 3.16(b) of the Disclosure Schedule, the Company has filed with the appropriate taxing authorities all Tax Returns required to be filed by it, and all such Tax Returns were true, complete and correct. All Taxes due and owing by the Company have been timely paid or adequately reserved for, except to the

extent such Taxes were or are being contested in good faith by appropriate proceedings. There are no Tax Liens on any assets of the Company other than Liens relating to Taxes not yet due and payable. The Company has not granted any waiver or extension of any statute of limitations with respect to the assessment or collection of any Tax. The accruals and reserves for Taxes (exclusive of any accruals for "deferred taxes" or similar items that reflect timing differences between tax and financial accounting principles) reflected in the Balance Sheet are adequate to cover all Taxes accruable through the date thereof (including interest and penalties, if any, thereon and Taxes being contested) in accordance with GAAP applied on a consistent basis with the Balance Sheet. All liabilities for Taxes attributable to the period commencing on the date following the date of the Balance Sheet were incurred in the ordinary course of business and are consistent in type and amount with Taxes attributable to similar prior periods.

(c) The Company is not, and during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code has not been, a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code.

(d) The Company has withheld with respect to its employees all Taxes required to be withheld, and the Company has not been delinquent in the payment of any Tax. The Company is not currently involved in, and has not received any notice of, any audit examination, deficiency, refund litigation, proposed adjustment or matter in controversy with respect to any Tax. The Company has not filed any consent agreement under Section 341(f) of the Code or agreed to have Section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as defined in Section 341(f)(4) of the Code) owned by the Company.

(e) The Company has delivered to Parent (i) complete and correct copies of all Tax Returns, examination reports and statements of deficiencies assessed against or agreed to by the Company with respect to all taxable years for which the statutes of limitation for the assessment or collection of Taxes have not expired, and (ii) written schedules of (A) the taxable years of the Company for which the statute of limitations for the assessment or collection of income Taxes have not expired, (B) with respect to income Taxes of the Company, those years for which examinations have been completed, those years for which examinations are presently being conducted, those years for which examinations have not yet been initiated and those years for which required Tax Returns have not yet been filed, (C) all material elections with respect to income Taxes affecting the Company as of the date hereof, and (D) the foreign countries in which the Company has or has had a permanent establishment, as defined in any applicable Tax treaty or convention between the United States and such foreign country.

(f) None of the assets of the Company: (i) is property that is required to be treated as being owned by any other person pursuant to the provisions of former Section 168(f)(8) of the Code; (ii) is "tax-exempt use property" within the meaning of Section 168(h) of the Code; or (iii) directly or indirectly secures any debt the interest on which is tax exempt under Section 103(a) of the Code.



(g) The Company has not been nor will be required to include any material adjustment in taxable income or loss pursuant to Section 481 of the Code as a result of the transactions, events or accounting methods employed prior to the Merger.

(h) The Company has no actual or potential liability for the Taxes of any other person under Treasury Regulation Section 1.1502-6 (or similar provisions of federal, state, local or foreign law), or as a transferee, successor by contract or otherwise.

(i) For purposes of this Agreement, all references to Sections of the Code shall include any predecessor provisions to such Sections and any similar provisions of federal, state, local or foreign law.

Section 3.17 Environmental Matters. The use and operation by the Company of all facilities and properties used in the business of the Company are and at all times have been, in compliance in all material respects with all applicable federal, state, foreign and local laws, statutes, rules, regulations and ordinances relating to environmental, human health and safety from pollution or other environmental degradation ("Environmental Law"), and no action, suit or proceeding under any Environmental Law has been filed or commenced and is pending, or, to the Company's knowledge, threatened with or against the Company alleging any failure so to comply. To the Company's knowledge, there is no Contamination (as defined below) of or at any of the facilities and properties currently or formerly owned, leased or operated by the Company and the Company is not subject to any liability for any release of any Hazardous Substance (as defined below). The Company has received and currently has in effect all permits, approvals, licenses or other authorizations required under any Environmental Law ("Environmental Permits") required to allow it to conduct its operations and business, except where the failure to receive such Environmental Permits does not have a Material Adverse Effect. For purposes of this Agreement, "Contamination" means the presence of, or release on, under, from or to, any Hazardous Substance, and "Hazardous Substance" means any substance that falls within the definition of or is listed as a "hazardous substance", "hazardous waste" or "hazardous material" under any Environmental Law.

#### Section 3.18 Intellectual Property.

(a) Section 3.18(a) of the Disclosure Schedule sets forth, for the Intellectual Property (as defined below) owned by the Company, a true, complete and correct list of all U.S. and foreign (i) patent applications; (ii) trademark registrations (including internet domain registrations), trademark applications, and material unregistered trademarks; and (iii) copyright and mask work registrations, copyright and mask work applications, and material unregistered copyrights. The Company does not own any U.S. or foreign patents. Section 3.18(a) of the Disclosure Schedule lists all Software (as defined below) (other than readily available commercial software programs having an acquisition price of less than \$1,000) used or distributed by the Company, and identifies which Software is solely owned, jointly owned, licensed, leased, or otherwise obtained by the Company, as the case may be.

(b) Except as set forth in Section 3.18(b) of the Disclosure Schedule:

(i) the Company owns, or has a valid right to use, free and clear of all Liens, all of the Intellectual Property used in or necessary for the conduct of the business of the Company, as currently conducted or as currently contemplated to be conducted. Each application and registration with respect to which the Company is listed in the records of the appropriate United States, state, or foreign registry as the sole current owner of record is set forth on Section 3.18(a) of the Disclosure Schedule. The Company is the sole owner of all copyrights in copyrightable material developed or distributed by the Company;

(ii) the Intellectual Property owned by the Company and, to the Company's knowledge, any Intellectual Property used by the Company, is subsisting, in full force and effect, and has not been cancelled, expired, or abandoned, and is valid and enforceable;

(iii) there is no pending or, to the Company's knowledge, threatened (and any time within the three years prior to the date hereof there has not been pending any) claim, suit, arbitration or other adversarial proceeding before any court, agency, arbitral tribunal or registration authority in any jurisdiction (A) involving the Intellectual Property owned by or licensed to the Company or (B) alleging that the activities or the conduct of the Company's business infringe or will infringe upon, violate or constitute the unauthorized use of the Intellectual Property rights of any third party or challenging the ownership, use, validity, enforceability or registerability by the Company of any of its Intellectual Property. The Company is not party to any settlements, forbearances to sue, consents, decrees, stipulations, judgments, or orders or similar obligations which (x) restrict the Company's rights to use any of its Intellectual Property or any third party's Intellectual Property used in or necessary for the conduct of the business of the Company, as currently conducted or as currently contemplated to be conducted, (y) restrict the Company's business in order to accommodate a third party's Intellectual Property rights or (z) permit third parties to use any Intellectual Property owned or controlled by the Company;

(iv) the conduct of the Company's business as currently conducted does not infringe upon any Intellectual Property rights owned or controlled by any third party. The Company has taken reasonable measures to protect the proprietary nature of the Intellectual Property owned by or licensed to the Company. To the Company's knowledge, no third party is misappropriating, infringing, diluting or violating any Intellectual Property owned or used by the Company and no such claims, suits, arbitrations or other adversarial proceedings have been brought against any third party by the Company which remain unresolved;

(v) without limiting the generality of subsection (iv) above, the Company enforces a policy of requiring each relevant employee, consultant and contractor to execute a proprietary information, confidentiality and assignment agreements substantially in the Company's standard forms that (A) assign to the Company all rights to any Intellectual Property rights relating to the Company's

business that are developed by the employee, consultant or contractor, as applicable, in the course of his or her activities for the Company or are developed during working hours or using Company resources, (B) contain provisions designed to prevent unauthorized disclosure of the Company's confidential information and Trade Secrets, and (C) otherwise appropriately protect the Intellectual Property of the Company, and, except under confidentiality obligations, there has been no disclosure by the Company of technical data, design, pattern, formula, computer program, source code (other than samples of source code relating to the development of the Company's device manager products), algorithm, subroutine, documentation for code (other than end user-level documentation), detailed product specification for a new, revised, or existing product, or, except for disclosures made to potential investors in connection with the Company's attempts to raise working capital for its operations, confidential information of any vendor or customer of the Company to any person or entity, including without limitation, to any Company Stockholder or potential acquirors;

(vi) all employees of the Company have signed invention assignment and secrecy agreements substantially in the form attached to Section 3.18(b) of the Disclosure Schedule. All assignments that relate to specified scheduled patent or copyright assignments and which are required to be so filed in order to be valid or effective against third parties have been duly executed and filed with the United States Patent and Trademark Office or the United States Copyright Office, as applicable;

(vii) none of the Company's Software is, in whole or in part, subject to the provisions of any open source or quasi-open source license agreement; and

(viii) the Company does not owe any third party any royalties or other fees for the use of Intellectual Property.

(c) Except as set forth in Section 3.18(c) of the Disclosure Schedule, the consummation of the transactions contemplated hereby will not (i) result in any loss or impairment of the Company's ownership of or right to use any of its Intellectual Property or any third party's Intellectual Property used in or necessary for the conduct of the business of the Company, as currently conducted or as currently contemplated to be conducted, (ii) require the consent of any governmental entity or third party with respect to any of the Company's Intellectual Property, or (iii) convey or create an obligation to convey additional access to, or rights or licenses in the Software or Intellectual Property of the Company to any third party, including, without limitation, the right to access Software source code, the right to access escrowed Software, or an extension in the term of a license to any Software or Intellectual Property of the Company. The Company is not a party to any agreement under which a third party, following the Merger, would be entitled to receive a license or any other right to any Intellectual Property of Parent or any of Parent's affiliates following the Closing.

(d) Any code jointly owned by Compaq and the Company, as identified in Section 3.18(a) of the Disclosure Schedule: (i) which is incorporated into the Company's

VisualSAN Network Manager 2.5 constitutes less than twenty-five percent (25%) of the total code (measured in lines of code) in the Company's VisualSAN Network Manager 2.5; (ii) which is incorporated into the Company's VisualSAN Network Manager 2.2 constitutes less than twenty-five percent (25%) of the total code (measured in lines of code) in the Company's VisualSAN Network Manager 2.2; (iii) which is incorporated into the Company's VisualSAN Configuration Manager 1.0, VisualSAN Configuration Manager 1.1 or VisualSAN Configuration Manager 2.0 constitutes, in each case, less than ten percent (10%) of the total code (measured in lines of code) in such version of the Company's VisualSAN Configuration Manager; and (iv) which is incorporated into the Company's VisualSAN Performance Manager 1.0, VisualSAN Performance Manager 1.1 or VisualSAN Performance Manager 2.0 constitutes, in each case, less than ten percent (10%) of the total code (measured in lines of code) in such version of the Company's VisualSAN Performance Manager.

(e) For purposes of this Agreement, the following definitions shall apply:

(i) "Intellectual Property" shall mean trademarks, service marks, trade names, internet domain names, designs, logos, slogans, and general intangibles of like nature, together with all goodwill, registrations and applications related to the foregoing (collectively, "Trademarks"); patents and industrial design registrations or applications (including any continuations, divisionals, continuations-in-part, renewals, reissues, re-examinations and applications for any of the foregoing); copyrights and related author's rights (including any registrations and applications for any of the foregoing); Software; "mask works" (as defined under 17 USC § 901) and any registrations and applications for "mask works"; technology, trade secrets and other confidential information, know-how, proprietary processes, formulae, algorithms, models, and methodologies (collectively, "Trade Secrets").

(ii) "Software" means any and all (A) computer programs, including any and all software implementation of algorithms, models and methodologies, whether in source code or object code form, (B) databases conversions, interpreters and compilations, including any and all data and collections of data, whether machine readable or otherwise, (C) testing validation, verification and quality assurance materials, (D) descriptions, schematics, flow-charts and other work product used to design, plan organize and develop any of the foregoing, (E) software development processes, practices, methods and policies recorded in permanent form, relating to any of the foregoing, (F) performance metrics, signings, bug and feature lists, build, release and change control manifests recorded in permanent form, relating to any of the foregoing, and (G) all documentation, including user manuals, web materials, architectural and design specifications, brochures and training materials, relating to any of the foregoing.

Section 3.19 Accounts Receivable. All of the accounts receivable of the Company, whether reflected in the Balance Sheet or arising since the date of the Balance Sheet, subject to the allowance for doubtful accounts set forth therein and to the Company's knowledge, are fully collectible in the ordinary course of business; provided, that the foregoing shall not be construed as a guarantee of collectability.

Section 3.20 Insurance. All fire and casualty, general liability, business interruption, product liability, sprinkler and water damage insurance policies and other forms of insurance maintained by the Company are with reputable insurance carriers, provide adequate coverage for all normal risks incident to the business of the Company and its properties and assets and are in character and amount and with such deductibles and retained amounts as are generally carried by persons engaged in similar businesses and subject to the same or similar perils or hazards. Each such policy is in full force and effect and all premiums due thereon have been paid in full. None of such policies shall terminate or lapse (or be affected in any other materially adverse manner) by reason of the consummation of the transactions contemplated by this Agreement.

Section 3.21 Restrictions on Business. Except for this Agreement, there is no agreement, judgment, injunction, order or decree binding upon the Company which has or would reasonably be expected to have the effect of prohibiting or materially impairing any business practice of the Company, acquisition of property by the Company or the conduct of business by the Company as currently conducted or as proposed to be conducted by the Company.

Section 3.22 Banks. Section 3.22 of the Disclosure Schedule sets forth the name and location of each bank in which the Company has an account or a safe deposit box, the account numbers thereof and the names of all persons authorized to draw on or have access to such account or safe deposit box.

Section 3.23 Warranty or Other Claims. There are no existing or pending or, to the Company's knowledge, threatened product liability, warranty or similar claims, or, to the Company's knowledge, any facts upon which a material claim of such nature could reasonably be based, against the Company for its products or services which are defective or fail to meet any product or service warranties. No claim has been asserted against the Company for renegotiation or price redetermination of any business transaction.

Section 3.24 Books and Records. The minute books of the Company contain complete and accurate records of all meetings and other corporate actions of its stockholders and the Company Board and any committees thereof. The stock records of the Company are true, correct and complete and reflect all issuances, transfers, repurchases and cancellations of shares of capital stock of the Company.

Section 3.25 Brokers; Transaction Expenses. No broker, finder or investment banker (other than RBC Capital Markets, whose fees are set forth in Schedule 2.01(a)(ii) hereto as Transaction Expenses) is entitled to any brokerage, finder's or similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company. The Company has heretofore furnished to Parent a complete and correct copy of all agreements between the Company and RBC Capital Markets pursuant to which such firm would be entitled to any payment relating to the transactions contemplated hereby. All Transaction Expenses incurred by the Company (or for which the Company may reimburse others on or before Closing, or may otherwise be obligated to reimburse others or may be or may become liable) are, and as of the Closing, will be set forth on Schedule 2.01(a)(ii) hereto.

Section 3.26 Disclosure. Neither this Agreement nor any Exhibit or Schedule hereto, nor any report, certificate or instrument furnished to Parent or its special counsel in connection with the transactions contemplated by this Agreement and the Escrow Agreement, when such documents are read together, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

#### ARTICLE IV.

#### REPRESENTATIONS AND WARRANTIES BY PARENT AND MERGER SUB.

Parent and Merger Sub jointly and severally represent and warrant to the Company and the Representative that as of the date hereof and as of the Closing Date, except where another date is specified:

Section 4.01 Organization and Qualification. Parent is a corporation duly organized, validly existing and in good standing under the laws of The Commonwealth of Massachusetts. Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of California. Each of Parent and Merger Sub has the requisite corporate power and authority necessary to own, lease and operate the properties it purports to own, lease or operate and to carry on its business as it is now being conducted.

#### Section 4.02 Authority.

(a) Parent has all necessary corporate power and authority to execute and deliver this Agreement and each instrument required hereby to be executed and delivered by it at the Closing and to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement, the Escrow Agreement and each instrument required hereby and thereby to be executed and delivered at the Closing by Parent and the consummation by Parent of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of Parent. Each of this Agreement and the Escrow Agreement has been duly and validly executed and delivered by Parent and, assuming the due authorization, execution and delivery by the Company and the Representative of this Agreement and, the Company, the Representative and the Escrow Agent of the Escrow Agreement, constitutes the legal, valid and binding obligation of Parent, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

(b) Merger Sub has all necessary corporate power and authority to execute and deliver this Agreement and each instrument required hereby to be executed and delivered by it at the Closing and to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and each instrument required hereby to be executed and delivered at the Closing by Merger Sub and the consummation by Merger Sub of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Merger

Sub. This Agreement has been duly and validly executed and delivered by Merger Sub and, assuming the due authorization, execution and delivery by the Company and the Representative of this Agreement, constitutes the legal, valid and binding obligation of Merger Sub, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

**Section 4.03 No Conflict; Required Filings and Consents.**

(a) The execution and delivery of this Agreement, the Escrow Agreement and each instrument required hereby or thereby to be executed and delivered by Parent at the Closing does not, and the performance of this Agreement and the Escrow Agreement by Parent will not, (i) conflict with or violate Parent's Articles of Organization, as amended to date, or its Amended and Restated By-Laws, as amended to date, or (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Parent or by which any of its properties is bound or affected, except where such conflict would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Parent's ability to consummate the transactions contemplated hereby or thereby.

(b) The execution and delivery of this Agreement and each instrument required hereby or thereby to be executed and delivered by Merger Sub at the Closing does not, and the performance of this Agreement by Merger Sub will not, (i) conflict with or violate Merger Sub's Articles of Incorporation, or its By-Laws, each as amended to date, or (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Merger Sub or by which any of its properties is bound or affected, except where such conflict would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Merger Sub's ability to consummate the transactions contemplated hereby or thereby.

(c) The execution and delivery of this Agreement or any instrument required hereby to be executed and delivered by each of Parent and Merger Sub at the Closing does not, and the performance of this Agreement by each of Parent and Merger Sub will not, require any consent, approval, license, authorization or permit of, or filing with or notification to, any person or entity, including without limitation, any Governmental Entity, except (i) the filing and recordation of the Agreement of Merger or other documents as required by the GCL and (ii) such other consents, approvals, authorizations or permits which, if not obtained or made, would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Parent's or Merger Sub's ability to consummate the transactions contemplated hereby.

**Section 4.04 Brokers.** No broker, finder or investment banker is entitled to any brokerage, finder's or similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Merger Sub.

Section 4.05 Absence of Litigation. There are no claims, actions, suits, proceedings or investigations (a) pending against Parent or Merger Sub, or (b) to Parent's and Merger Sub's knowledge, threatened against Parent or Merger Sub that challenges or seeks to prevent, enjoin, alter or delay any of the transactions contemplated hereby.

Section 4.06 Ownership of Merger Sub; Prior Activities. As of the date hereof, except for obligations or liabilities incurred in connection with its incorporation or organization and the transactions contemplated by this Agreement and except for this Agreement and any other agreements or arrangements contemplated hereby or thereby, Merger Sub has not and will not have incurred, directly or indirectly, any obligations or liabilities or engaged in any business activities of any type or kind whatsoever or entered into any agreements or arrangements with any person.

## ARTICLE V. PRE-CLOSING COVENANTS.

Section 5.01 Conduct of the Company's Business Prior to Closing. The Company covenants and agrees that, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Effective Time, unless Parent shall otherwise agree in writing, the Company shall conduct its business, and the Company shall not take any action except in, the ordinary course of business and in a manner consistent with past practice and in compliance in all material respects with all applicable laws and regulations; and the Company shall use all reasonable efforts to preserve substantially intact the business organization of the Company, to keep available the services of the current officers, employees and consultants of the Company and, except as provided herein, to preserve the present relationships of the Company with customers, suppliers and other persons with which the Company has significant business relations. By way of amplification and not limitation, except as contemplated by this Agreement or as specifically set forth on Section 5.01 of the Disclosure Schedule, the Company shall not, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Effective Time, directly or indirectly do, or propose to do, any of the following without the prior written consent of Parent:

- (a) amend or otherwise change the Company Charter or Company By-Laws;
- (b) issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of, any shares of capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock, or any other ownership interest (including, without limitation, any phantom interest) in the Company, other than pursuant to (i) the exercise of currently outstanding Company Stock Options under the Company Stock Plans, (ii) the exercise of currently outstanding Company Warrants under the terms thereof, or (iii) the conversion of currently outstanding Company Notes pursuant to the terms thereof;
- (c) sell, pledge, dispose of or encumber (which shall include any exclusive license) any assets of the Company (except for (i) sales of assets in the ordinary course of business and in a manner consistent with past practice, not to exceed \$25,000 in the



aggregate, (ii) dispositions of obsolete or worthless assets, or (iii) sales of immaterial assets not in excess of \$5,000);

(d) (i) declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any of its capital stock, (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, or (iii) amend the terms or change the period of exercisability of any Company Securities, or any option, warrant or right, directly or indirectly, to acquire any Company Securities, or purchase, repurchase, redeem or otherwise acquire any Company Securities, or propose to do any of the foregoing, other than pursuant to (1) the exercise of currently outstanding Company Stock Options under the Company Stock Plans, (2) the exercise of currently outstanding Company Warrants under the terms thereof, or (3) the conversion of currently outstanding Company Notes pursuant to the terms thereof;

(e) (i) acquire (by merger, consolidation or acquisition of stock or assets or otherwise) any corporation, partnership or other business organization or division thereof; (ii) except for Working Capital Loan Funds pursuant to Section 5.04, incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse or otherwise as an accommodation become responsible for, the obligations of any person, or make any loans or advances or capital contributions to or investments in any other person, except in the ordinary course of business and consistent with past practice; (iii) enter into, amend or waive any right under any material contract or agreement, or enter into, renew, amend or terminate any lease relating to real property, or open or close any facility; (iv) adopt or implement any shareholder rights plan; (v) make or commit to make any capital expenditures or purchase of fixed assets which are, in the aggregate, in excess of \$25,000 for the Company; (vi) modify its standard warranty terms for its products or amend or modify any product warranties in effect as of the date hereof in any manner that is adverse to the Company; (vii) pledge or otherwise encumber shares of capital stock of the Company; (viii) mortgage or pledge any of its assets, tangible or intangible, or create or suffer to exist any Lien thereupon; or (ix) enter into or amend any contract, agreement, commitment or arrangement to effect any of the matters prohibited by this Section 5.01(e);

(f) increase the compensation payable or to become payable to its directors, officers or employees (except such increases payable to non-officer employees made in the ordinary course of business consistent with past practice), make any loan, advance or capital contribution, or grant any severance or termination pay to, or enter into or amend any employment or severance agreement with, any director, officer (except for officers who are terminated on an involuntary basis) or other employee of the Company, establish, adopt, enter into or amend any bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any current or former directors, officers or employees, pay any bonuses to any officer of the Company, materially change any actuarial assumption or other assumption used to calculate funding obligations with respect to any pension or retirement plan, or

change the manner in which contributions to any such plan are made or the basis on which such contributions are determined, except, in each case, as may be required by law or contractual commitments which are existing as of the date hereof and listed in Section 3.13 of the Disclosure Schedule;

(g) take any action to change accounting policies or procedures (including, without limitation, procedures with respect to revenue recognition, payments of accounts payable and collection of accounts receivable), except as required by GAAP or, except as so required, change any assumption underlying, or method of calculating, any bad debt contingency or other reserve;

(h) make any material Tax election inconsistent with past practice or settle or compromise any material federal, state, local or foreign Tax liability or agree to an extension of a statute of limitations, except to the extent the amount of any such settlement has been reserved for in the Financial Statements; fail to file any Tax Return when due (or, alternatively, fail to file for available extensions) or fail to cause such Tax Returns when filed to be complete and accurate in all material respects; or fail to pay any Taxes when due;

(i) pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice of liabilities reflected or reserved against in the Financial Statements or incurred in the ordinary course of business and consistent with past practice;

(j) fail to pay accounts payable and other obligations in the ordinary course of business;

(k) accelerate the collection of receivables or modify the payment terms of any receivables;

(l) sell, securitize, factor or otherwise transfer any accounts receivable;

(m) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company (other than the Merger);

(n) revalue in any material respect any of its assets, including writing down the value of inventory or writing off notes or accounts receivable; or

(o) take, or agree in writing or otherwise to take, any of the actions described in Sections 5.01 (a) through (n) above, or any other action which would make any of the representations or warranties of the Company contained in this Agreement untrue or incorrect or prevent the Company from performing or cause the Company not to perform its covenants hereunder, in each case, such that the conditions set forth in Section 7.01 would not be satisfied.

Section 5.02 [Intentionally omitted.]

Section 5.03 Consents.

(a) Each of Parent and the Company will use all reasonable efforts (i) to comply promptly with all legal requirements which may be imposed with respect to the Merger (which actions shall include, without limitation, furnishing all information required in connection with approvals of or filings with any Governmental Entity) and will promptly cooperate with and furnish information to each other in connection with any such requirements imposed upon any of them in connection with the Merger, and (ii) to obtain (and will cooperate with each other in obtaining) all consents, approvals, authorizations or permits required to be obtained and to make all filings required to be made by it for the authorization, execution and delivery of this Agreement and the consummation by it of the transactions contemplated hereby (collectively, the "Required Consents"). The Company's Required Consents shall be set forth on Schedule 5.03(a) hereto and shall include, without limitation, all applicable consents under (A) the Company's OEM or similar agreements and (B) the Company's agreements with third parties with respect to Software.

(b) The Company will pay 50% of all premiums or other costs, not to exceed an aggregate of \$20,000 payable hereunder by the Company, and the Company Stockholders will pay the other 50% of all premiums or other costs up to an aggregate of \$20,000 payable by the Company Stockholders, as well as all other premiums or other costs, associated with the Company obtaining its Required Consents.

Section 5.04 Working Capital. In the event that the Company shall notify Parent, and demonstrate to the reasonable satisfaction of Parent, that the Company does not have sufficient funds to meet its working capital needs, then Parent shall either: (a) loan funds to the Company to be used solely for the Company's working capital needs and in accordance with the reasonably detailed plans for such funds provided by the Company to Parent, or (b) agree to waive the applicable restrictions set forth herein, including without limitation, Section 5.01(e)(ii), to allow the Company to seek funds from third parties ("Third Party WCL Lenders") to meet its working capital needs. Any funds loaned to the Company, together with all unpaid and accrued interest, by Parent and/or any Third Party WCL Lender pursuant to this Section 5.04 (i) shall be referred to herein as "Working Capital Loan Funds" and (ii) shall not, without the prior written consent of Parent and subject to Section 12.12, exceed \$300,000 in the aggregate. Any Working Capital Loan Funds loaned by Parent to the Company shall be made pursuant to terms and conditions mutually acceptable to the parties. In event that any Working Capital Loan Funds are loaned by a Third Party WCL Lender, then (A) Schedule 5.04 hereto shall set forth the name and mailing address of each Third Party WCL Lender and the aggregate amount of Working Capital Loan Funds to be paid to each Third Party WCL Lender to satisfy in full the Company's obligations to such Third Party WCL Lender, and (B), at Closing, Parent, on behalf of the Company, shall deliver the appropriate portion of the Working Capital Loan Funds in cash to each Third Party WCL Lender in accordance with Schedule 5.04 hereto in full payment of the Company's obligations to such Third Party WCL Lender and any Liens on the assets of the Company relating thereto shall be released. In the event that the Company shall receive funds from third parties pursuant to this Section 5.04 as a result of the sale by the Company of its equity securities to such third parties, then Schedule 2.01(a) hereto shall be appropriately amended.

Section 5.05 Compaq Agreement. The Company shall use all reasonable efforts to obtain an agreement with Compaq Computer Corporation or any successor entity ("Compaq") regarding the termination of the Alliance Master Agreement MA-00-004 between Compaq and the Company with an effective date of June 5, 2000 and all project statements and schedules thereunder (the "Compaq Agreement") prior to the Closing that (a) contains the business terms set forth in Schedule 5.05 hereto and no other terms or conditions that create material liabilities or obligations with respect to the Company or Parent, and (b) is in a form that is reasonably satisfactory to Parent determined in good faith.

Section 5.06 Advice of Changes. Parent and the Company shall promptly advise the other party in writing to the extent it has knowledge of (a) any representation or warranty made by it (and, in the case of Parent, made by Merger Sub) contained in this Agreement becoming untrue or inaccurate in any respect, (b) the failure by it (and, in the case of Parent, by Merger Sub) to comply in any material respect with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement prior to the Effective Time, and (c) any change or event having, or which is reasonably likely to have, a Material Adverse Effect on the Company or Parent, as the case may be, or on the ability for the conditions set forth herein to be satisfied; provided however, that no such notification shall affect in any manner the representations, warranties, covenants or agreements of the parties (or remedies with respect thereto) or any matter set forth in the Disclosure Schedule or the conditions to the obligations of the parties under this Agreement.

Section 5.07 Cooperation. Subject to compliance with applicable law and Parent's compliance with the Non-Disclosure Agreement (as defined in Section 5.09), from the date hereof until the Effective Time, the Company shall confer on a regular and frequent basis with one or more representatives of the Parent to report operational matters that are material and the general status of ongoing operations. The Company shall permit representatives of Parent to have reasonable access (at reasonable times, and in a manner so as not to interfere with the normal business operations of the Company) to all premises, properties, financial, tax and accounting records (including the work papers of the Company's independent accountants), contracts, other records and documents, and personnel, of or pertaining to the Company. The parties agree to use all reasonable efforts and work in good faith to allow Parent such reasonable access and the Company to protect the confidentiality of its confidential information in accordance with the terms and conditions of the Non-Disclosure Agreement.

Section 5.08 Exclusivity. Except with respect to efforts to seek Working Capital Loan Funds from Third Party WCL Lenders pursuant to the provisions of Section 5.04, the Company shall not, directly or indirectly, through any officer, director, employee, representative or agent, including without limitation RBC Capital Markets, directly or indirectly, (a) solicit, initiate, facilitate, engage in discussions or negotiations with respect to or encourage any inquiries or proposals that constitute, or could reasonably be expected to lead to, any inquiry, proposal or offer from any person relating to any direct or indirect (i) acquisition or purchase of all or any substantial portion of the assets or equity securities of the Company, including without limitation, any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company, other than the transactions contemplated by this Agreement, or (ii) acquisition or purchase of any debt or equity securities

of the Company, or (b) furnish any non-public information concerning the business, assets or properties of the Company to any party (other than Parent) except to existing or prospective customers, licensees or distribution or marketing partners in the ordinary course of business and consistent with past practice (including without limitation pursuant to appropriate confidentiality obligations imposed on such other parties).

Section 5.09 Confidentiality. The parties acknowledge and agree that the existence of this Agreement, the Escrow Agreement and the documents and instruments contemplated hereby, the terms and conditions hereof and thereof, and transactions contemplated hereby and thereby, shall constitute "Confidential Information" under the Non-Disclosure Agreement dated as of July 5, 2002 by and between the Company and Parent (the "Non-Disclosure Agreement"); provided, however, that the Company may disclose such information as it deems reasonably necessary in order to meet its obligations under Sections 5.02, 5.03 and 5.05.

Section 5.10 Charter Amendment. The Company shall amend the Company Charter to amend the liquidation preferences of the Company Preferred Stock in order to provide for the allocation of the aggregate Merger Consideration among the Company Stockholders in the manner set forth on Schedule 2.01(a) hereto (the "Charter Amendment"), which Charter Amendment shall be reasonably satisfactory to Parent.

Section 5.11 Amendments to Notes and Warrants. The Company shall amend (i) the Company Notes to provide for the repayment thereof consistent with the provisions of Section 2.01(a)(i) hereof and (ii) the Company Warrants (other than the Third Party Warrants) and the Bridge Warrants to provide for the cancellation and termination thereof consistent with the provisions of Sections 2.01(c) and 2.01(a)(i), which amendments shall be reasonably satisfactory to Parent. The Company shall use all reasonable efforts to cancel and terminate each outstanding Third Party Warrant.

## ARTICLE VI. ADDITIONAL COVENANTS

Section 6.01 Employee Benefits. Parent agrees that, as soon as reasonably practicable following the Effective Time, the Surviving Corporation shall provide to each employee of the Company as of the Effective Time (the "Retained Employees") employee plans and programs that provide benefits that are comparable to those provided to similarly situated employees of Parent generally during such time. With respect to such benefits, service accrued by such Retained Employees during employment with the Company prior to the Effective Time shall be recognized for purposes of vesting and eligibility, except to the extent necessary to prevent duplication of benefits.

Section 6.02 Further Assurances. Subject to the terms and conditions of this Agreement, each of the parties agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement.

Section 6.03 Indemnification. From the Effective Time until the fourth (4th) anniversary of the Effective Time, Parent shall cause the Surviving Corporation to fulfill and honor in all

respects the obligations of the Company for indemnification pursuant to the Company Charter and Company By-laws. This Section shall survive the consummation of the Merger, is intended to benefit the Company, the Surviving Corporation and each indemnified party, shall be binding, jointly and severally, on all successors and assigns of the Surviving Corporation and Parent, and shall be enforceable by the indemnified parties.

**ARTICLE VII.  
CONDITIONS PRECEDENT TO THE OBLIGATIONS OF PARENT  
AND MERGER SUB.**

The obligations of Parent or Merger Sub to effect the Merger and to consummate the transactions contemplated hereby are subject to the fulfillment to the reasonable satisfaction of Parent prior to or at the Closing of each of the following conditions, any of which may be waived by Parent:

Section 7.01 Representations; Warranties; Covenants. Each of the representations and warranties of the Company contained in Article III shall be true and correct in all material respects (except representations and warranties that are qualified as to materiality or Material Adverse Effect which shall be true and correct) at the date hereof and as of the Effective Time (except to the extent such representations specifically relate to an earlier date, in which case such representations shall speak as of such earlier date) and the Company, the Representative and the Company Stockholders shall, on or before the Closing, have performed in all material respects all of their respective obligations hereunder which by the terms hereof are to be performed on or before the Closing; and Parent shall have received a certificate from the Chief Executive Officer of the Company certifying to such effect.

Section 7.02 Material Adverse Effect. Since the date hereof, there has not occurred any change, development, event, situation or other circumstance that has had or would reasonably be expected to have a Material Adverse Effect on the Company; provided, however, that in no event shall the fact that the Company requires additional funds to meet its working capital needs be deemed, in and of itself, to constitute or be the basis for Parent or Merger Sub to claim that the Company has suffered a Material Adverse Effect.

Section 7.03 Company Stockholder Approval. The Company Stockholders holding no less than 80% of the Company Stock (on an as-converted basis) shall have duly approved and adopted this Agreement, the Merger and the Charter Amendment, and the transactions contemplated hereby, and such approval shall be in full force and effect.

Section 7.04 Secretary's Certificate. A certificate of the Secretary of the Company, dated as of the Closing Date, in form and substance reasonably satisfactory to Parent certifying as to (a) true and complete copies of the Company Charter and Company By-laws, (b) true and complete copies of the resolutions of the Company Board and the Company Stockholders authorizing the transactions contemplated hereby, and (c) the incumbency and signatures of the officers of the Company executing this Agreement and the other agreements, instruments and other documents executed by or on behalf of the Company pursuant to this Agreement or otherwise in connection with the transactions contemplated hereby.

Section 7.05 Agreement of Merger; Officers' Certificate. The Agreement of Merger shall have been executed and delivered by the Company. The Officers' Certificates contemplated under Section 1103 of the GCL shall have been executed and delivered by the requisite officers of the Company.

Section 7.06 FIRPTA Certificates. The Company shall have delivered to Parent an affidavit under Section 1445(b)(3) of the Code establishing that the Company is not and has not been a United States real property holding corporation and that, as of the Effective Time, interests in the Company are not United States real property interests.

Section 7.07 Opinion of Counsel for the Company. Parent shall have received the opinion of Brobeck, Phleger & Harrison LLP, counsel to the Company, dated as of the Closing Date, substantially in the form attached hereto as Schedule 7.07.

Section 7.08 Consents. The Company shall have obtained all of the Required Consents set forth on Schedule 5.03(a) hereto.

Section 7.09 [Intentionally omitted.]

Section 7.10 Escrow Agreement. The Representative and the Escrow Agent shall have executed and delivered the Escrow Agreement.

Section 7.11 Resignation of Officers and Directors of the Company. Each officer and director of the Company shall have tendered his or her written resignation to the Company, which resignation shall have been accepted by the Company and shall be effective at or prior to the Closing.

Section 7.12 Termination of Outstanding Company Stock Options, Company Stock Awards and Company Warrants. The Company shall have (i) obtained any consents from holders of Company Stock Options or Company Stock Awards and obtained any consents from holders of or entered into amendments to the Company Warrants (other than Third Party Warrants) and (ii) amended the terms of any equity plans, agreements, arrangements or instruments, in each case as is necessary to effect the provisions of Section 2.01(c).

Section 7.13 401(k) Plan. The Company Board shall have taken all necessary action to authorize the termination of the 401(k) Plan. The Company shall have effected, or shall have used all reasonable efforts to have any third party responsible for the administration of the 401(k) Plan to effect, all required amendments to the 401(k) Plan in order to permit the Company to terminate the 401(k) Plan, on the Closing Date.

Section 7.14 Books and Records. The Company's original minute books and stock record books shall have been delivered to Parent.

Section 7.15 Legal Proceedings. No legal proceeding shall be pending or be threatened by any Governmental Entity, wherein an unfavorable judgment, order, decree, stipulation or injunction would (i) prevent consummation of the transactions contemplated by this Agreement, (ii) cause the transactions contemplated by this Agreement to be rescinded following

consummation or (iii) have, individually or in the aggregate, a Material Adverse Effect, and no such judgment, order, decree, stipulation or injunction shall be in effect.

Section 7.16 Charter Amendment. The Company shall have duly filed the Charter Amendment and such Charter Amendment shall have been accepted and approved by the Secretary of the State of California.

Section 7.17 Release of All Liens. All Liens on any of the assets (tangible or intangible) of the Company (other than any Liens relating to Working Capital Loan Funds loaned by Parent pursuant to Section 5.04, if any) shall have been released and the Company shall have delivered to Parent all documents reasonably necessary for Parent or the Surviving Corporation to file a termination statement or other appropriate instrument with respect to any financing statement evidencing any Lien on any of the assets (tangible or intangible) of the Company, including, without limitation, executed copies of U.C.C.-3 termination statements and agreements, confirmations or other documents from the secured parties authorizing Parent or the Surviving Corporation to file such statements.

## **ARTICLE VIII.**

### **CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE COMPANY**

The obligations of the Company to effect the Merger and to consummate the transactions contemplated hereby are subject to the fulfillment to the reasonable satisfaction of the Company prior to or at the Closing of each of the following conditions, any of which may be waived by the Company:

Section 8.01 Representations; Warranties; Covenants. Each of the representations and warranties of Parent and Merger Sub contained in Article V shall be true and correct in all material respects (except representations and warranties that are qualified as to materiality which shall be true and correct) at the date hereof and as of the Effective Time (except to the extent such representations specifically relate to an earlier date, in which such representations shall speak as of such earlier date) and Parent and Merger Sub shall, on or before the Closing, have performed in all material respects all of their respective obligations hereunder which by the terms hereof are to be performed on or before the Closing; and the Company shall have received a certificate from the appropriate officers of Parent and Merger Sub certifying to such effect.

Section 8.02 Assistant Clerk's Certificate. A certificate of the Assistant Clerk of Parent and the Secretary of Merger Sub, dated as of the Closing Date, in form and substance reasonably satisfactory to the Company certifying as to (a) true and complete copies of the resolutions of the board of directors and/or an appropriate committee thereof of Parent and the board of directors and the sole stockholder of Merger Sub, in each case, authorizing the transactions contemplated hereby, and (b) the incumbency and signatures of the officers of Parent and Merger Sub executing this Agreement and the other agreements, instruments and other documents executed by or on behalf of Parent and Merger Sub pursuant to this Agreement or otherwise in connection with the transactions contemplated hereby.

Section 8.03 Consents. Parent and Merger Sub shall have obtained all of their Required Consents.



Section 8.04 Escrow Agreement. Parent and the Escrow Agent shall have executed and delivered the Escrow Agreement.

Section 8.05 Legal Proceedings. No legal proceeding shall be pending or be threatened by any Governmental Entity, wherein an unfavorable judgment, order, decree, stipulation or injunction would (i) prevent consummation of the transactions contemplated by this Agreement or (ii) cause the transactions contemplated by this Agreement to be rescinded following consummation.

Section 8.06 Form of Offer Letter and the Compensation Memorandum. Parent shall have delivered to the Company (a) the form of offer letter that Parent intends to use for each Retained Employee and (b) a memorandum setting forth the proposed salary, bonus and retention bonus for each Retained Employee (the "Compensation Memorandum").

## ARTICLE IX.

### SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION.

Section 9.01 Survival. All representations, warranties and agreements of the Company and Parent and Merger Sub contained in this Agreement or in any document, certificate or other instrument required to be delivered hereunder in connection with the transactions contemplated hereby shall survive the Closing for the period ending on the first anniversary of the Closing Date (such date, the "Expiration Date").

Section 9.02 Indemnification by the Company Securityholders.

(a) Subject to Sections 9.01, 9.02(b), 9.02(c) and 9.06, from and after the Effective Time, Parent, Merger Sub, and the Surviving Corporation and their respective directors, officers and affiliates (collectively, the "Indemnified Parties") shall be indemnified, defended and held harmless by the Company Securityholders out and to the extent of the General Escrow Fund, from and against and in respect of any Damages resulting from (i) the inaccuracy of any representation or warranty made by the Company herein, (ii) any misrepresentation, breach of warranty or non-fulfillment of any agreement or covenant of the Company (to the extent of performance or non-performance prior to the Closing Date) contained herein or in any agreement or instrument entered into in connection herewith or from any misrepresentation contained in any schedule or certificate required to be furnished by the Company hereunder, (iii) any failure of any Company Stockholder to have good, valid and marketable title to the issued and outstanding Company Stock issued in the name of such Company Stockholder, free and clear of all Liens, or (iv) any claim by a stockholder or former stockholder of the Company, or any other person or entity, seeking to assert, or based upon (A) ownership or rights to ownership of any shares of stock of the Company, (B) any rights of a stockholder (other than the right to receive the Merger Consideration pursuant to this Agreement or appraisal rights under the applicable provisions of the GCL), including any option, preemptive rights or rights to notice or to vote, (C) any rights under the Company Charter or the Company By-laws (other than with respect to claims relating to indemnification of officers and/or directors of the Company that are not based upon or do

not result from facts that would be the basis for an indemnification claim under this Article IX, without regard to the limitations in Sections 9.01 or 9.06 hereof), or (D) any claim that his, her or its shares were wrongfully repurchased by the Company, and any and all actions, suits and proceedings resulting from any of the foregoing.

(b) From and after the Effective Time until the end of the eighteen (18) month period following the Closing Date (the "Compaq Escrow Expiration Date") the Indemnified Parties shall be indemnified, defended and held harmless by the Company Securityholders out and to the extent of the Compaq Escrow Fund, from and against and in respect of any Damages resulting from any claim by Compaq, its affiliates or any other person or entity (i) seeking to contest the termination of the Compaq Agreement by the Company pursuant to Section 13.d thereunder or the Company's right to exercise such termination, or (ii) that the Company has any obligations under the Compaq Agreement or any license extended thereunder, other than the obligations specifically set forth in Schedule 9.02(b) attached hereto (collectively, "Compaq Agreement Claims"). Notwithstanding the foregoing, the Indemnified Parties shall not be entitled to any indemnification under this Section 9.02(b) for any Damages arising after Compaq has executed and delivered to Parent an agreement regarding the termination of the Compaq Agreement that (A) contains the business terms set forth in Schedule 5.05 hereto and no other terms or conditions that create material liabilities or obligations with respect to the Surviving Corporation or Parent, and (B) is in a form that is reasonably satisfactory to Parent determined in good faith. With respect to Damages for which the Indemnified Parties would otherwise be entitled to indemnification under this Section 9.02(b) (other than any fees and expenses, including legal fees and expenses, incurred by the Indemnified Parties in enforcing their rights under the Compaq Agreement or under this Section 9.02(b) or defending Compaq Agreement Claims), the parties hereto further agree that the Indemnified Parties shall not be entitled to indemnification for such aggregate Damages unless and until such Damages exceed \$250,000 (the "Section 9.02(b) Deductible"), at which point, the Indemnified Parties shall be entitled to indemnification in respect of such aggregate Damages in excess of the Section 9.02(b) Deductible. For purposes of clarity, any fees and expenses, including legal fees and expenses, incurred by the Indemnified Parties in enforcing their rights under the Compaq Agreement or under this Section 9.02(b) or defending Compaq Agreement Claims shall not be subject to the Section 9.02(b) Deductible.

(c) In the event that an Indemnified Party shall incur Damages resulting from (i) the inaccuracy of any representation or warranty made by the Company herein or (ii) any misrepresentation, breach of warranty or non-fulfillment of any agreement or covenant of the Company (to the extent of performance or non-performance prior to the Closing Date) contained herein or in any agreement or instrument entered into in connection herewith or from any misrepresentation contained in any schedule or certificate required to be furnished by the Company hereunder, in each case, relating to the Compaq Agreement, then such Indemnified Party shall be entitled to be indemnified, defended and held harmless by the Company Securityholders pursuant to Section 9.02(a); provided, however, that (A) until the Compaq Escrow Fund shall be released to the Company Securityholders pursuant to Section 2.05(b) of the Escrow Agreement and (B) if such Parent Claim may be brought under clauses (i) or (ii) of Section 9.02(b), such

Parent Claim shall be brought under, and such Indemnified Party shall be indemnified under defended and held harmless by the Company Securityholders, solely pursuant to Section 9.02(b); and provided, further, that a Parent Claim brought under Section 2.05(b) of the Escrow Agreement may in no event be brought thereafter under Section 2.05(a) of the Escrow Agreement.

(d) Except for Uncapped Claims (as defined in Section 9.06), liability of the Company Securityholders under this Article IX shall be pro rata, in proportion to each Company Securityholder's interest in the Escrow Funds.

(e) Any claim for indemnification asserted by the Indemnified Parties under this Section 9.02 shall be referred to herein individually as a "Parent Claim" and collectively as "Parent Claims."

Section 9.03 Certification of Claims. If Parent is of the opinion that any Parent Claim has occurred or will or may occur, Parent shall notify the Representative, and each such notice shall be in writing and shall describe with reasonable specificity the nature and amount of such asserted Parent Claim and whether the Parent Claim is asserted under Section 9.02(a) or Section 9.02(b).

Section 9.04 Third Party Actions. In the event any claim is made, suit is brought or tax audit or other proceeding is instituted against any of the Indemnified Parties which involves or appears reasonably likely to involve a Parent Claim for which indemnification may be sought against the Company Securityholders hereunder, Parent will, promptly after receipt of notice of any such claim, suit or proceeding, notify the Representative of the commencement thereof. The failure to so notify the Representative of the commencement of any such claim, suit or proceeding will relieve the Company Securityholders from liability only to the extent that such failure adversely affects the ability of the Company Securityholders to defend their interests in such claim, action or proceeding. With respect to such claims for which indemnification may be sought against the Company Securityholders pursuant to Section 9.02(a) hereunder, the Company Securityholders (through the Representative) shall have the right and shall be given the opportunity to assume and control the defense of such claim, suit or proceeding with counsel of their choice reasonably satisfactory to Parent, provided that (i) the Company Securityholders may only assume control of such defense if (A) they (through the Representative) acknowledge in writing to the Indemnified Parties that any damages, fines, costs or other liabilities that may be assessed against the Indemnified Parties in connection with such claim, suit or proceeding constitute damages for which the Indemnified Parties shall be indemnified pursuant to this Article IX and (B) the *ad damnum* is less than or equal to the amount of damages for which the Indemnifying Party is liable under this Article IX and for which funds not subject to any other claim hereunder are available under the Escrow Agreement and (ii) the Company Securityholders may not assume control of the defense of claim, suit or proceeding involving criminal liability or in which equitable relief is sought against the Indemnified Party provided, further, that Parent and its counsel (at Parent's expense) may participate in (but not control the conduct of) all matters pertaining to the defense or settlement of such claim, suit or proceeding. If the Company Securityholders (through the Representative) elect to assume and control the defense of such claim, suit or proceeding, some or all of the costs of such defense shall be paid from the Escrow Funds pursuant to the provisions and subject to the limitations of the Escrow

Agreement. Whether or not the Company Securityholders elect to assume such defense, Parent shall not, except at its own cost, make any settlement with respect to any such claim, suit or proceeding without the prior written consent of the Representative, which shall not be unreasonably withheld or delayed. Parent's consent to the settlement of any such claim, suit or proceeding by the Company Securityholders shall be required and shall not be unreasonably withheld or delayed, provided that such consent shall not be required if (or to the extent that) such settlement only requires the payment of a monetary amount that is available under the Escrow Agreement (and not subject to any other claim hereunder) and includes a full release of claims against Parent and does not include a statement as to or admission of fault, culpability or failure to act by or on behalf of Parent.

**Section 9.05 Definition of Damages.** For purposes of this Article IX, the term "Damages" shall mean the amount of any loss, claim, demand, damage, deficiency, assessment, judgment, remediation, cost or expense (including reasonable attorneys', consultants' and experts' fees and expenses and any associated Tax liability) incurred by the party or parties seeking indemnification. Notwithstanding the foregoing, in no event shall Damages include (a) expenses incurred in connection with investigations unless a claim is made, (b) Damages specifically identified (as to scope and amount) in the Disclosure Schedule, or (c) liabilities specifically disclosed (as to scope and amount) on the Balance Sheet. For purposes of this Article IX, including without limitation, for purposes of determining whether the aggregate amount of all Parent Claims exceeds \$50,000 under Section 9.06(b), any calculation of Damages shall be made without giving effect to any limitation as to materiality or Material Adverse Effect (or any similar limitation) in the representations and warranties and covenants.

**Section 9.06 Limitations on Indemnification Rights.**

(a) Except for actions by Parent and/or Merger Sub for fraud or intentional misrepresentations by (i) any Company Securityholder in connection with this Agreement or (ii) by the Company or its officers and directors in connection with this Agreement of which a Company Securityholder had actual knowledge prior to the Closing ("Uncapped Claims"), from and after the Effective Time, the indemnification provisions set forth in this Article IX shall be the exclusive remedy for Parent, Merger Sub and/or any of the Indemnified Parties for a breach of any representation, warranty or covenant by the Company in this Agreement and shall be in lieu of any rights Parent, Merger Sub and/or any Indemnified Parties may have under law or in equity with respect to any such breaches or otherwise. The liability of the Company Securityholders with respect to Parent Claims, other than Uncapped Claims, shall not exceed the Escrow Funds and the sole source of recovery for all Parent Claims, other than Uncapped Claims, shall be the Escrow Funds. Company Securityholders shall be liable for Uncapped Claims on a several and not joint basis, and any Company Securityholder shall have liability for Uncapped Claims only for acts of fraud or intentional misrepresentation committed by him or it or committed by the Company or its officers and director of which he or it had actual knowledge prior to the Closing.

(b) The Company Securityholders shall not be liable for indemnification under Section 9.02(a) unless and until the aggregate amount of all Parent Claims exceeds \$50,000 (the "Basket Amount"); provided, however, that once the aggregate Parent

Claims exceed the Basket Amount the Indemnified Parties shall be entitled to indemnification for the full amount of all Parent Claims, including the Basket Amount.

(c) No Parent Claim under Section 9.02(a) may be made or lawsuit instituted (except for Reserved Claims (as defined below)) after the Expiration Date; provided, that any claims by Parent or Merger Sub based upon fraud or intentional misrepresentation by the Company or its officers and directors in connection with this Agreement may be made or suits instituted at any time subject only to the statute of limitations. No Parent Claim under Section 9.02(b) may be made or lawsuit instituted (except for Reserved Claims) after the earlier to occur of (i) the Compaq Escrow Expiration Date, or (ii) the date on which the Compaq Escrow Fund is released to the Company Securityholders pursuant to Section 2.05(b) of the Escrow Agreement. "Reserved Claims" shall mean (A) any Parent Claims made pursuant to Section 9.02(a) which have been asserted, in accordance with and subject to this Article IX and the Escrow Agreement, on or before the Expiration Date or (B) any Parent Claims made pursuant to Section 9.02(b) which have been asserted, in accordance with and subject to this Article IX and the Escrow Agreement, on or before the earlier to occur of (1) the Compaq Escrow Expiration Date, or (2) the date on which the Compaq Escrow Fund is released to the Company Securityholders pursuant to Section 2.05(b) of the Escrow Agreement.

(d) No Company Securityholders shall have any right of contribution against the Company, the Parent or the Surviving Corporation with respect to any breach by the Company of any of its representations, warranties, covenants or agreements or any facts resulting in any claim for indemnification under Section 9.02.

Section 9.07 Escrow Funds. The Escrow Funds will be held in an interest-bearing escrow account as established pursuant to the Escrow Agreement for the purpose of satisfying claims by the Indemnified Parties for indemnification under this Article IX and will be released to the Indemnified Parties only in accordance with the terms of the Escrow Agreement. Subject to, and in accordance with, the terms and conditions set forth in the Escrow Agreement, the Escrow Agent shall deliver or cause to be delivered to the Company Securityholders the balance, if any, of the Escrow Funds.

## ARTICLE X. THE REPRESENTATIVE.

### Section 10.01 Powers of the Representative.

(a) Each Company Securityholder, by virtue of the approval of the Agreement, the Merger Agreement and the Merger, will be deemed to have irrevocably constituted and appointed, effective as of the Effective Time, William Patch (together with his permitted successors, the "Representative"), as his, her or its true and lawful agent and attorney-in-fact, with full power and authority, to enter into this Agreement and the Escrow Agreement, to exercise all or any of the powers, authority and discretion conferred on him under this Agreement or the Escrow Agreement, to waive any terms and conditions of any such agreement (other than the Merger Consideration or as otherwise set forth in Section 12.12), to give and receive notices on their behalf, to

authorize delivery to Parent and Merger Sub of the Escrow Funds or any portion thereof in satisfaction of Parent Claims and to use a portion of the Escrow Funds (pursuant to the provisions and subject to the limitations of the Escrow Agreement) to defend claims, and to be such Company Securityholder's exclusive representative with respect to any matter, suit, claim, action or proceeding arising with respect to the Escrow Funds, including, without limitation, the defense, settlement or compromise of any claim, action or proceeding for which Parent or Merger Sub may be entitled to indemnification, and the Representative agrees to act as, and to undertake the duties and responsibilities of, such agent and attorney-in-fact. This power of attorney is coupled with an interest and is irrevocable. No bond shall be required of the Representative, and the Representative shall receive no compensation for his services from Parent.

(b) The Representative shall not be liable to any party for his service in such capacity with respect to any action taken, suffered or omitted by him hereunder as Representative while acting in good faith and in absence of gross negligence or willful misconduct, and any act done, suffered or omitted pursuant to the advice of counsel shall be deemed hereunder to have been in good faith. The Company Securityholders shall and severally and not jointly indemnify the Representative and hold the Representative harmless against, any loss, liability or expense incurred without bad faith or gross negligence on the part of the Representative and arising out of or in connection with the acceptance or administration of the Representative's duties hereunder.

(c) A decision, act, consent or instruction of the Representative shall constitute a decision of all the Company Securityholders, and shall be final, binding and conclusive upon each of the Company Securityholders, and the Escrow Agent and Parent may rely upon any decision, act, consent or instruction of the Representative as being the decision, act, consent or instruction of each and all of the Company Securityholders. The Escrow Agent and Parent are hereby relieved from any liability to any person for any acts done by them in accordance with such decision, act, consent or instruction of the Representative. The Representative shall not be obligated to obtain instructions from the Company Securityholders prior to any decision, act, consent or instruction other than as set forth in Section 12.12 below. If, and to the extent that, the Representative receives any written instructions from the Company Securityholders holding a majority in interest of the Escrow Funds, the Representative shall comply with such instructions but the failure to so comply shall not in any way limit the provisions of this Section 10.01 (including without limitation the ability of the Escrow Agent and Parent to rely upon any decision, act, consent or instruction of the Representative).

(d) Any notice given to the Representative will constitute notice to each and all of the Company Securityholders at the time notice is given to the Representative. Any action taken by, or notice or instruction received from, the Representative will be deemed to be action by, or notice or instruction from, each and all of the Company Securityholders. Parent may, and the Escrow Agent will, disregard any notice or instruction received directly from any of the Company Securityholders other than the Representative.

Section 10.02 Agreement of the Representative. The Representative hereby agrees to do such acts, and execute further documents, as shall be necessary to carry out the provisions of this Agreement and the Escrow Agreement.

Section 10.03 Legal Proceedings. The Representative shall not be required to institute or defend any legal proceedings which may be instituted by or against him in respect of this Agreement, the Escrow Agreement or the Escrow Funds unless payment of such expense (including indemnification for his attorneys fees and disbursements) is made or provided for in a manner satisfactory to him.

Section 10.04 Replacement of the Representative by the Company Securityholders. At any time during the term of the Escrow Agreement, holders of a majority in interest of the Escrow Funds can remove and replace the Representative by written consent by sending notice and a copy of the written consent appointing such new individual or individuals signed by holders of a majority in interest of the Escrow Funds to Parent and the Escrow Agent. Such appointment will be effective upon the later of the date indicated in the consent or the date such consent is received by Parent and the Escrow Agent. Any such new individual shall serve in such capacity subject to the terms and conditions of the Escrow Agreement and provide notice to the Escrow Agent of its identity and notice information for purposes of Section 3.05 of the Escrow Agreement. If more than one individual is serving as the Representative, such individuals may only take actions jointly.

Section 10.05 Reliance on Shareholder Representative. Parent, Merger Sub, the Surviving Corporation and their respective affiliates shall be entitled to rely on the appointment of William Patch as Representative and treat such Representative as the duly appointed attorney-in-fact of each Company Securityholder and as having the duties, power, and authority provided for in this Article X.

## ARTICLE XI. TERMINATION

Section 11.01 Termination of Agreement. The parties may terminate this Agreement prior to the Closing (whether before or after approval by the Company Stockholders), as provided below:

- (a) the Company and Parent may terminate this Agreement by mutual written consent;
- (b) the Company or Parent may terminate this Agreement by giving written notice to the other party if any court of competent jurisdiction in the United States or other Governmental Entity shall have issued a final order, decree or ruling, or taken any other final action, restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action is or shall have become non-appealable;
- (c) Parent may terminate this Agreement by giving written notice to the Company in the event the Company is in breach of any representation, warranty or covenant contained in this Agreement, and (i) such breach, individually or in combination with any other such breach would cause any of the conditions set forth in Section 7.01

not to be satisfied and (ii) such breach (A) is not able to be satisfied on or before October 15, 2002, or (B) is not cured within 15 days following delivery by Parent to the Company of written notice of such breach;

(d) the Company may terminate this Agreement by giving written notice to Parent in the event Parent or Merger Sub is in breach of any representation, warranty or covenant contained in this Agreement, and (i) such breach, individually or in combination with any other such breach, would cause any of the conditions set forth in Section 8.01 not to be satisfied and (ii) such breach (A) is not able to be satisfied on or before October 15, 2002, or (B) is not cured within 15 days following delivery by the Company to Parent of written notice of such breach;

(e) Parent may terminate this Agreement by giving written notice to the Company if the Closing shall not have occurred on or before October 15, 2002 by reason of the failure of any condition precedent under Sections 7.01 through 7.17 (unless the failure results primarily from a breach by Parent or Merger Sub of any representation, warranty or covenant contained in this Agreement); or

(f) the Company may terminate this Agreement by giving written notice to Parent if the Closing shall not have occurred on or before October 15, 2002 by reason of the failure of any condition precedent under Sections 8.01 through 8.06 (unless the failure results primarily from a breach by the Company of any representation, warranty or covenant contained in this Agreement).

Section 11.02 Effect of Termination. If any party terminates this Agreement pursuant to Section 11.01, all obligations of the parties hereunder shall terminate without any liability of any party to any other party (except for any liability of any party for breaches of this Agreement which shall survive such termination).

## ARTICLE XII. MISCELLANEOUS

Section 12.01 Expenses. Except as specifically provided herein, each of the parties hereto shall assume and bear all expenses, costs and fees incurred or assumed by such party in the preparation and execution of this Agreement and compliance herewith, whether or not the transactions herein provided for shall be consummated; and the Company Stockholders, severally and not jointly, and Parent (and the Company if the transactions contemplated hereby are not consummated) shall indemnify and hold each other harmless from and against any and all liabilities and claims in respect of any such expenses, costs or fees not the responsibility of or assumed by the other party.

Section 12.02 Notices. All notices, requests, demands, consents and communications necessary or required under this Agreement shall be delivered by hand or sent by registered or certified mail, return receipt requested, or by overnight prepaid courier, or by facsimile (receipt confirmed) to:

if to Parent  
or Merger Sub:

EMC Corporation  
171 South Street



Hopkinton, MA 01748  
Attention: Vice President, Corporate  
Development  
Telecopier: (508) 435-8900

with a copy to:

EMC Corporation  
171 South Street  
Hopkinton, MA 01748  
Attention: Office of the General Counsel  
Telecopier: (508) 497-6915

if to the Company:

Prisa Networks, Inc.  
6620 Mesa Ridge Road  
Suite 200  
San Diego, CA 92121  
Attention: Marc Friedmann  
Telecopier: (858) 677-9099

with a copy to:

Brobeck, Phleger & Harrison LLP  
12390 El Camino Real  
San Diego, CA 92130  
Attention: Michael Kagnoff  
Telecopier: (858) 720-2555

if to the Representative:

William Patch  
Western States Investment Group  
9191 Towne Centre Drive  
Suite 310  
San Diego, CA 92122  
Telecopier: (858) 678-0900

with a copy to:

Scott Pancoast  
Western States Investment Group  
9191 Towne Centre Drive  
Suite 310  
San Diego, CA 92122  
Telecopier: (858) 678-0900

All such notices, requests, demands, consents and other communications shall be deemed to have been duly delivered and received three (3) days following the date on which mailed, or one (1) day following the date mailed if sent by overnight courier, or on the date on which delivered by hand or by facsimile transmission (receipt confirmed), as the case may be, and addressed as aforesaid.

Section 12.03 Successors and Assigns. All covenants and agreements set forth in this Agreement and made by or on behalf of any of the parties hereto shall bind and inure to the benefit of the successors, heirs and assigns of such party, whether or not so expressed. None of the parties may assign or transfer any of their respective rights or obligations under this Agreement without the consent in writing of the other parties hereto.

Section 12.04 Descriptive Headings. The headings of the sections and paragraphs of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

Section 12.05 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which together shall constitute one and the same instrument.

Section 12.06 Severability. In the event that any one or more of the provisions contained herein is held invalid, illegal or unenforceable in any respect for any reason in any jurisdiction, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected, it being intended that each of parties' rights and privileges shall be enforceable to the fullest extent permitted by law, and any such invalidity, illegality and unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 12.07 Waiver; Course of Dealing. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party hereto of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasions. No course of dealing and no delay on the part of any party hereto in exercising any right, power or remedy conferred by this Agreement shall operate as a waiver thereof or otherwise prejudice such party's rights, powers and remedies. The failure of any of the parties to this Agreement to require the performance of a term or obligation under this Agreement or the waiver by any of the parties to this Agreement of any breach hereunder shall not prevent subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach hereunder. No single or partial exercise of any right, power or remedy conferred by this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 12.08 Third Parties. Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any person, other than the parties hereto and their permitted successors or assigns, any rights or remedies under or by reason of this Agreement or any other certificate, document, instrument or agreement executed in connection herewith.

Section 12.09 Variations in Pronouns. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the identity of the Person or Persons may require.

Section 12.10 Governing Law. This Agreement, including the validity hereof and the rights and obligations of the parties hereunder, shall be construed in accordance with and governed by the laws of The Commonwealth of Massachusetts applicable to contracts made and to be performed entirely in such Commonwealth (without giving effect to the conflicts of laws provisions thereof).

Section 12.11 Remedies Cumulative. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

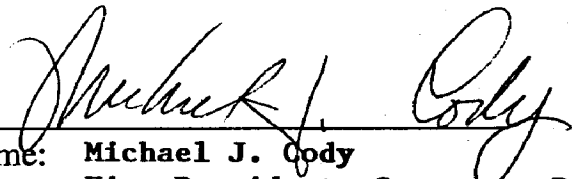
Section 12.12 Entire Agreement. This Agreement, the Escrow Agreement, the Transfer Agreement and the Non-Disclosure Agreement, including the Schedules and Exhibits and the other agreements referred to herein and therein, is complete, and all promises, representations, understandings, warranties and agreements with reference to the subject matter hereof, and all inducements to the making of this Agreement relied upon by all the parties hereto, have been expressed herein or in such Schedules, Exhibits or other agreements. This Agreement may not be amended except by an instrument in writing signed by all the parties hereto; provided, that in addition thereto, any amendment which modifies Section 2.01 or the amount of Merger Consideration or Escrow Funds, Article IX, Article X, the date set forth in Section 11.01(c)(ii)(A), Section 11.01(d)(ii)(A), Section 11.01(e), Section 11.01(f), Section 12.01 or Section 12.12 shall also require the written approval or consent of the Company Stockholders whose approval is required for the transactions contemplated by this Agreement as set forth in Section 3.04(c).

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

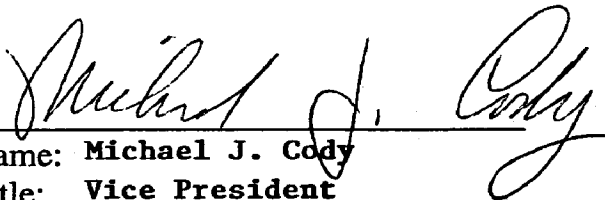
EMC CORPORATION

By:

  
Name: **Michael J. Cody**  
Title: **Vice President, Corporate Development**

EDGE MERGER CORPORATION

By:

  
Name: **Michael J. Cody**  
Title: **Vice President**

PRISA NETWORKS, INC.

By:

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
**William Patch** , as the Representative

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

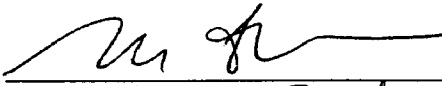
EMC CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

EDGE MERGER CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

PRISA NETWORKS, INC.

By:  \_\_\_\_\_  
Name: Marc Friedman  
Title: President

\_\_\_\_\_  
William Patch, as the Representative

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

EMC CORPORATION

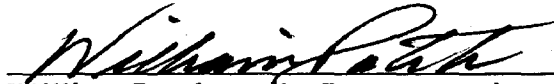
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PRISA NETWORKS, INC.

By: \_\_\_\_\_  
Name:  
Title:

  
\_\_\_\_\_  
William Patch, as the Representative