

TRADEMARK ASSIGNMENT COVER SHEET

Electronic Version v1.1
Stylesheet Version v1.2

ETAS ID: TM411242

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	MERGER AND CHANGE OF NAME
EFFECTIVE DATE:	04/13/2006

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Sundance Digital, Inc.		04/13/2006	Corporation: TEXAS

NEWLY MERGED ENTITY DATA

Name	Execution Date	Entity Type
Avid Technology, Inc.	04/13/2006	Corporation: DELAWARE

MERGED ENTITY'S NEW NAME (RECEIVING PARTY)

Name:	Avid Technology, Inc.
Street Address:	One Park West
City:	Tewksbury
State/Country:	MASSACHUSETTS
Postal Code:	01876
Entity Type:	Corporation: MASSACHUSETTS
Name:	Avid Technology, Inc.
Street Address:	One Park West
Internal Address:	Avid Technology, Inc.
City:	Tewksbury
State/Country:	MASSACHUSETTS
Postal Code:	01876
Entity Type:	Corporation: DELAWARE

PROPERTY NUMBERS Total: 1

Property Type	Number	Word Mark
Registration Number:	3222618	FASTBREAK

CORRESPONDENCE DATA

Fax Number:

Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent using a fax number, if provided; if that is unsuccessful, it will be sent via US Mail.

Phone: 978-640-5337

Email: trademarks@avid.com

OP \$40.00 3222618

Correspondent Name: Penny Lennox
Address Line 1: 75 Network Drive
Address Line 2: Avid Technology, Inc.
Address Line 4: Burlington, MASSACHUSETTS 01803

NAME OF SUBMITTER: Penny Lennox

SIGNATURE: /Penny Lennox/

DATE SIGNED: 01/05/2017

Total Attachments: 45

source=Sundance Digital Stock Purchase Agreement#page1.tif
source=Sundance Digital Stock Purchase Agreement#page2.tif
source=Sundance Digital Stock Purchase Agreement#page3.tif
source=Sundance Digital Stock Purchase Agreement#page4.tif
source=Sundance Digital Stock Purchase Agreement#page5.tif
source=Sundance Digital Stock Purchase Agreement#page6.tif
source=Sundance Digital Stock Purchase Agreement#page7.tif
source=Sundance Digital Stock Purchase Agreement#page8.tif
source=Sundance Digital Stock Purchase Agreement#page9.tif
source=Sundance Digital Stock Purchase Agreement#page10.tif
source=Sundance Digital Stock Purchase Agreement#page11.tif
source=Sundance Digital Stock Purchase Agreement#page12.tif
source=Sundance Digital Stock Purchase Agreement#page13.tif
source=Sundance Digital Stock Purchase Agreement#page14.tif
source=Sundance Digital Stock Purchase Agreement#page15.tif
source=Sundance Digital Stock Purchase Agreement#page16.tif
source=Sundance Digital Stock Purchase Agreement#page17.tif
source=Sundance Digital Stock Purchase Agreement#page18.tif
source=Sundance Digital Stock Purchase Agreement#page19.tif
source=Sundance Digital Stock Purchase Agreement#page20.tif
source=Sundance Digital Stock Purchase Agreement#page21.tif
source=Sundance Digital Stock Purchase Agreement#page22.tif
source=Sundance Digital Stock Purchase Agreement#page23.tif
source=Sundance Digital Stock Purchase Agreement#page24.tif
source=Sundance Digital Stock Purchase Agreement#page25.tif
source=Sundance Digital Stock Purchase Agreement#page26.tif
source=Sundance Digital Stock Purchase Agreement#page27.tif
source=Sundance Digital Stock Purchase Agreement#page28.tif
source=Sundance Digital Stock Purchase Agreement#page29.tif
source=Sundance Digital Stock Purchase Agreement#page30.tif
source=Sundance Digital Stock Purchase Agreement#page31.tif
source=Sundance Digital Stock Purchase Agreement#page32.tif
source=Sundance Digital Stock Purchase Agreement#page33.tif
source=Sundance Digital Stock Purchase Agreement#page34.tif
source=Sundance Digital Stock Purchase Agreement#page35.tif
source=Sundance Digital Stock Purchase Agreement#page36.tif
source=Sundance Digital Stock Purchase Agreement#page37.tif
source=Sundance Digital Stock Purchase Agreement#page38.tif

source=Sundance Digital Stock Purchase Agreement#page39.tif
source=Sundance Digital Stock Purchase Agreement#page40.tif
source=Sundance Digital Stock Purchase Agreement#page41.tif
source=Sundance Digital Stock Purchase Agreement#page42.tif
source=Sundance Digital Stock Purchase Agreement#page43.tif
source=Sundance Digital Stock Purchase Agreement#page44.tif
source=Sundance Digital Stock Purchase Agreement#page45.tif

STOCK PURCHASE AGREEMENT
among
SUNDANCE DIGITAL, INC.,
THE STOCKHOLDERS LISTED ON
SCHEDULE I ATTACHED HERETO,
and
AVID TECHNOLOGY, INC.

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. Purchase and Sale of the Shares.....	1
1.01. Purchase of the Shares from the Stockholders.....	1
1.02. Purchase Price.....	1
1.03. The Closing.....	1
1.04. Post-Closing Adjustments.....	2
1.05. Further Assurances.....	4
2. Representations of the Stockholders Regarding the Shares.....	4
3. Representations of the Company and the Stockholders Regarding the Company.....	4
3.01. Organization.....	5
3.02. Capitalization of the Company.....	5
3.03. Subsidiaries.....	5
3.04. Authorization.....	5
3.05. Financial Statements.....	5
3.06. Absence of Certain Changes and Undisclosed Liabilities.....	6
3.07. Litigation.....	7
3.08. Insurance.....	7
3.09. Personal Property.....	7
3.10. Intellectual Property.....	8
3.11. Leases.....	9
3.12. Real Estate.....	10
3.13. Inventory.....	10
3.14. Accounts Receivable.....	10
3.15. Taxes.....	10
3.16. Books and Records.....	11
3.17. Contracts and Commitments.....	12
3.18. Compliance with Agreements and Laws.....	13
3.19. Employee Relations.....	14
3.20. Employee Benefit Plans.....	15
3.21. Absence of Certain Changes or Events.....	16
3.22. Customers.....	18
3.23. Suppliers.....	18
3.24. Warranty and Product Liability Claims.....	18
3.25. Prepayments and Deposits.....	18
3.26. Indebtedness to and from Officers, Directors and Stockholders.....	18
3.27. Banking Facilities.....	18
3.28. Powers of Attorney and Suretyships.....	19
3.29. Conflicts of Interest.....	19
3.30. Regulatory Approvals.....	19
3.31. Disclosure.....	19
4. Representations of the Buyer.....	19
4.01. Organization and Authority.....	19
4.02. Authorization.....	20
4.03. Regulatory Approvals.....	20
4.04. Disclosure.....	20
4.05. Investment Representation.....	20
5. Conditions to Obligations of the Buyer.....	20

5.01.	Continued Truth of Representations and Warranties of the Stockholders; Compliance with Covenants and Obligations	20
5.02.	Governmental Approvals	21
5.03.	Consent of Lenders, Lessors and Other Third Parties.....	21
5.04.	Adverse Proceedings.....	21
5.05.	Opinion of Counsel	21
5.06.	Employment Contract	21
5.07.	Escrow Agreements	21
5.08.	Closing Deliveries.....	21
6.	Conditions to Obligations of the Stockholders.	22
6.01.	Continued Truth of Representations and Warranties of the Buyer; Compliance with Covenants and Obligations	22
6.02.	Corporate Proceedings	22
6.03.	Governmental Approvals	22
6.04.	Adverse Proceedings.....	22
6.05.	Escrow Agreements	23
6.06.	Closing Deliveries.....	23
7.	Indemnification.	23
7.01.	By the Stockholders and the Company.	23
7.02.	Claims for Indemnification	25
7.03.	Defense by the Stockholders.....	25
7.04.	Payment of Indemnification Obligation.....	25
7.05.	Survival of Representations and Warranties/Limitations.....	26
7.06.	Treatment of Indemnity Payments	27
8.	Post-Closing Agreements.....	27
8.01.	Proprietary Information.....	27
8.02.	No Solicitation or Hiring of Employees.....	27
8.03.	Non-Competition Agreement.....	28
9.	Tax Matters	28
9.01.	Preparation and Filing of Tax Returns; Payment of Taxes.	28
9.02.	Tax Indemnification.....	29
9.03.	Allocation of Certain Taxes.....	29
9.04.	Cooperation on Tax Matters; Tax Audits.....	30
9.05.	Termination of Tax Sharing Agreements.....	31
9.06.	Scope of Section 9.....	31
10.	Brokers.....	31
10.01.	For the Stockholders and the Company	31
10.02.	For the Buyer	31
11.	Notices.	31
12.	Successors and Assigns.....	32
13.	Entire Agreement; Amendments; Attachments.....	32
14.	Severability.	32
15.	Press Releases and Announcements.....	33
16.	Investigation of the Parties.....	33
17.	Expenses.....	33
18.	Withholding Taxes.....	33
19.	Legal Fees.	33
20.	Governing Law.	33
21.	Submission to Jurisdiction.	34
22.	Section Headings.....	34
23.	Counterparts.	34

24. Definitions..... 34

Schedules to be provided by the Stockholders and the Company

Schedule I - Selling Stockholders
Disclosure Schedules

Exhibits

- A - Johnson Escrow Agreement
- B - Escrow Agreement
- C - Opinion of Stockholders' Counsel
- D - Form Employment Agreement

STOCK PURCHASE AGREEMENT

Agreement (the "Agreement") made as of the 13th day of April 2006 (the "Closing Date") by and among Avid Technology, Inc., a Delaware corporation with its principal office at Avid Technology Park, One Park West, Tewksbury, MA 01876 (the "Buyer"), Sundance Digital, Inc., a Texas corporation with its principal office at 545 E. John Carpenter Freeway, Suite 200, Irving, Texas 75062 (the "Company"), and the Stockholders listed on Schedule I attached hereto (individually, a "Stockholder" and collectively, the "Stockholders"), who own all of the issued and outstanding capital stock of the Company.

Preliminary Statement

1. Each of the Stockholders owns the number of the issued and outstanding shares (collectively, the "Shares") of the common stock, \$.01 par value per share (the "Common Stock"), of the Company set forth opposite his name on Schedule I attached hereto, which Shares in the aggregate represent all of the issued and outstanding shares of capital stock of the Company.

2. The Buyer desires to purchase, and the Stockholders desire to sell, the Shares for the consideration set forth below, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. Purchase and Sale of the Shares.

1.01. Purchase of the Shares from the Stockholders. Subject to and upon the terms and conditions of this Agreement, each Stockholder shall sell, transfer, convey, assign and deliver to the Buyer, and the Buyer shall purchase, acquire and accept from each Stockholder, all the Shares owned by such Stockholder, as set forth opposite such Stockholder's name on Schedule I attached hereto.

1.02. Purchase Price. The "Purchase Price" shall equal \$12,500,000, which amount shall be reduced on a dollar for dollar basis to the extent that the certified cash balance that is provided concurrently herewith pursuant to Section 1.03(b)(vi) is less than \$500,000, and which amount shall be subject to further adjustment pursuant to Section 1.04.

1.03. The Closing.

(a) The closing of the transactions contemplated by this Agreement (the "Closing") shall take place, on April 13, 2006, or such other date as mutually agreed in writing by the parties.

(b) At the Closing:

(i) the Buyer, Robert Johnson and the American Escrow Company (the "Escrow Agent") shall execute and deliver the escrow agreement attached hereto as Exhibit A (the "Johnson Escrow Agreement");

(ii) the Buyer, R.J. Pipes (the "Stockholders' Representative") and the Escrow Agent shall execute and deliver the escrow agreement attached hereto as Exhibit B (the "Escrow Agreement");

(iii) the Buyer shall deliver to the Stockholders, the aggregate sum of (A) the Purchase Price minus (B) the sum of (1) the Escrow Amount and (2) the Holdback Amount, in cash, by cashier's or certified check, or by wire transfer of immediately available funds to the accounts designated by the Stockholders in the individual amounts set forth opposite each such Stockholder's name on Schedule I attached hereto, subject to pro rata adjustment if the Purchase Price is adjusted as provided in Section 1.02 hereof; provided, that of the amount to be paid to Robert Johnson pursuant to this Section 1.03(b)(iii), \$200,000.00 shall be paid to the Escrow Agent to be held in an interest-bearing escrow account pursuant to the terms of the Johnson Escrow Agreement;

(iv) the Buyer shall deliver to the Escrow Agent, the sum of \$1,875,000.00 ("Escrow Amount") to be held in an interest-bearing escrow account pursuant to the terms of the Escrow Agreement as a reserve (the "Reserve Account") to satisfy all or part of any claims for indemnity pursuant to Section 7 hereof and for adjustments pursuant to Section 1.04 if the Holdback Amount is less than the NBV Deficit;

(v) each Stockholder shall deliver to the Buyer certificates evidencing the Shares owned by such Stockholder duly endorsed in blank or with stock powers duly executed by such Stockholder;

(vi) the Stockholders' Representative shall deliver a certificate setting forth the balance in the Company's bank accounts at the open of business on the date hereof; and

(vii) the Buyer, the Company and the Stockholders shall deliver the other instruments, certificates and consents referenced in Section 5.08 and Section 6.06.

1.04. Post-Closing Adjustments. The Purchase Price set forth in Section 1.02 shall be subject to adjustment after the Closing Date as follows:

(a) Within 30 days after the Closing Date, Bruce Moore shall prepare and deliver to the Buyer and the Stockholders' Representative a balance sheet of the Company as of the close of business on the Closing Date (the "Draft Closing Balance Sheet"), which shall set forth the total assets and total liabilities of the Company. Bruce Moore shall prepare the Draft Closing Balance Sheet in accordance with GAAP applied on a basis consistent with the application of GAAP to the preparation of the Financial Statements, and each of the Buyer and the Stockholders' Representative shall use commercially reasonable efforts to cooperate with Bruce Moore with respect to the preparation of the Draft Closing Balance Sheet.

(b) The Stockholders' Representative shall deliver to the Buyer and Bruce Moore, by the Objection Deadline Date, either a notice indicating that the Stockholders' Representative accepts the Draft Closing Balance Sheet or a detailed statement describing its objections (if any) to the Draft Closing Balance Sheet. The Buyer shall deliver to the Stockholders' Representative and Bruce Moore, by the Objection Deadline Date, either a notice indicating that the Buyer accepts the Draft Closing Balance Sheet or a detailed statement describing its objections (if any) to the Draft Closing Balance Sheet. If neither the Buyer nor the Stockholders' Representative delivers a written objection to the Draft Closing Balance Sheet by the Objection Deadline Date, then, effective as of the earlier of (1) the date the Draft Closing Balance Sheet has been accepted in writing by both the Buyer and the Stockholder's Representative or (2) the close of business on the Objection Deadline Date, the Draft Closing Balance Sheet shall be deemed to be the Final Closing Balance Sheet. If either the Buyer or the Stockholders' Representative timely objects to the Draft Closing Balance Sheet, such objections shall be resolved as follows:

(i) The Buyer and the Stockholders' Representative shall first use reasonable best efforts to agree on the Final Closing Balance Sheet.

(ii) If the Buyer and the Stockholders' Representative do not reach agreement on the Final Closing Balance Sheet within 15 days after delivery of such statement of objections, the Buyer and the Stockholders' Representative shall, within 15 days following the expiration of such 15-day period, engage the Accountant, pursuant to an engagement agreement executed by the Buyer, the Stockholders' Representative and the Accountant, to resolve any remaining disagreements regarding the Draft Closing Balance Sheet (the "Unresolved Objections").

(iii) The Buyer and the Stockholders' Representative shall jointly submit to the Accountant, within 10 days after the date of the engagement of the Accountant (as evidenced by the date of the engagement agreement), a copy of the Draft Closing Balance Sheet, a copy of any statement of objections delivered by either the Stockholders' Representative or the Buyer and a statement setting forth the resolution of any objections agreed to by the Buyer and the Stockholders' Representative. Each of the Buyer and the Stockholders' Representative shall submit to the Accountant (with a copy delivered to the other party on the same day), within 30 days after the date of the engagement of the Accountant, a memorandum (which may include supporting exhibits) setting forth their respective positions on the Unresolved Objections. Each of the Buyer and the Stockholders' Representative may (but shall not be required to) submit to the Accountant (with a copy delivered to the other party on the same day), within 45 days after the date of the engagement of the Accountant, a memorandum responding to the initial memorandum submitted to the Accountant by the other party. Unless requested by the Accountant in writing, neither party may present any additional information or arguments to the Accountant, either orally or in writing.

(iv) Within 60 days after the date of its engagement hereunder, the Accountant shall issue a ruling that shall include a balance sheet, comprised of the Draft Closing Balance Sheet as adjusted pursuant to any resolutions to objections agreed upon by the Buyer and the Stockholders' Representative and pursuant to the Accountant's resolution of the Unresolved Objections. Such balance sheet shall be deemed to be the Final Closing Balance Sheet.

(v) The resolution by the Accountant of the Unresolved Objections shall be conclusive and binding upon the Buyer and the Stockholders' Representative. The Buyer and the Stockholders' Representative agree that the procedure set forth in this Section 1.04(b) for resolving disputes with respect to the Draft Closing Balance Sheet shall be the sole and exclusive method for resolving any such disputes; provided that this provision shall not prohibit either party from instituting litigation to enforce the ruling of the Accountant.

(vi) The Buyer and the Stockholders' Representative shall share equally the fees and expenses of the Accountant.

(c) If the Net Book Value as shown on the Final Closing Balance Sheet is less than zero, the Purchase Price shall be reduced by such deficiency (the "NBV Deficit") and the Buyer shall pay to the Stockholders on a pro rata basis, by wire transfer or other delivery of immediately available funds, within three business days after the date on which the Final Closing Balance Sheet is finally determined pursuant to this Section 1.04, an amount equal to (i) the Holdback Amount less (ii) the NBV Deficit, if any. If the NBV Deficit is greater than the Holdback Amount, the Buyer and the Stockholders' Representative shall, within three business days after the date on which the Final Closing Balance Sheet is finally determined pursuant to this Section 1.04, jointly instruct the Escrow Agent to release to the Buyer an amount equal to the amount by which the NBV Deficit exceeds the Holdback Amount.

1.05. Further Assurances. At any time and from time to time after the Closing, at the Buyer's request and without further consideration, each of the Stockholders shall promptly execute and deliver such instruments of sale, transfer, conveyance, assignment and confirmation, and take all such other action as the Buyer may reasonably request, more effectively to transfer, convey and assign to the Buyer, and to confirm the Buyer's title to, all of the Shares owned by such Stockholder, to put the Buyer in actual possession and operating control of the assets, properties and business of the Company, to assist the Buyer in exercising all rights with respect thereto and to carry out the purpose and intent of this Agreement.

2. Representations of the Stockholders Regarding the Shares.

Each Stockholder severally represents and warrants to the Buyer as follows:

(a) Such Stockholder has good and marketable title to the Shares which are to be transferred to the Buyer by such Stockholder pursuant hereto, free and clear of any and all covenants, conditions, restrictions, voting trust arrangements, liens, charges, encumbrances, options and adverse claims or rights whatsoever. Schedule I attached hereto sets forth a true and correct description of all Shares owned by such Stockholder.

(b) Such Stockholder has the full right, power and authority to enter into this Agreement and to transfer, convey and sell to the Buyer at the Closing the Shares to be sold by such Stockholder hereunder, and upon consummation of the purchase contemplated hereby, the Buyer will acquire from such Stockholder good and marketable title, and all rights and interests of such Stockholder, to such Shares, free and clear of all covenants, conditions, restrictions, voting trust arrangements, liens, charges, encumbrances, options and adverse claims or rights whatsoever.

(c) Such Stockholder is not a party to, subject to or bound by any agreement or any judgment, order, writ, prohibition, injunction or decree of any court or other governmental body which would prevent the execution or delivery of this Agreement by such Stockholder or the transfer, conveyance and sale of the Shares to be sold by such Stockholder to the Buyer pursuant to the terms hereof.

(d) No broker or finder other than Pagemill Partners LLC, has acted for such Stockholder in connection with this agreement or the transactions contemplated hereby, and no other broker or finder is entitled to any brokerage or finder's fee or other commissions in respect of such transactions based upon agreements, arrangements or understandings made by or on behalf of such Stockholder.

3. Representations of the Company and the Stockholders Regarding the Company.

Each of the Stockholders (other than Michael Myers and Richard Gibson), jointly and severally, represent and warrant to the Buyer that, except as set forth in the disclosure schedule attached hereto (the "Disclosure Schedule"), the statements contained in this Section 3 are true and correct as of the date of this Agreement and will be true and correct as of the Closing as though made as of the Closing, except to the extent such representations and warranties are specifically made as of a particular date (in which case such representations and warranties will be true and correct as of such date). The Disclosure Schedule shall be arranged in sections and subsections corresponding to the numbered and lettered sections and subsections contained in this Section 3. The disclosures in any section or subsection of the Disclosure Schedule shall qualify only the corresponding section or subsection in this Section 3.

3.01. Organization. The Company is a corporation duly organized, validly existing and in corporate and tax good standing under the laws of the State of Texas, and has all requisite power and authority (corporate and other) to own its properties, to carry on its business as now being conducted, to execute and deliver this Agreement and the agreements contemplated herein, and to consummate the transactions contemplated hereby and thereby. The Company has employees that reside and perform services in Utah, Florida, Kansas, California and New Hampshire, but is not qualified to do business as a foreign corporation in those or any State other than Texas. The Company maintains a legal representative office in Singapore and has an employee that resides in Singapore. Certified copies of the Articles of Incorporation and Bylaws of the Company, as amended to date, have been previously delivered to the Buyer, are complete and correct, and no amendments have been made thereto or have been authorized since the date thereof. The Company is not in default under or in violation of any of its Articles of Incorporation or Bylaws.

3.02. Capitalization of the Company. The Company's authorized capital stock consists of 200,000 shares of Common Stock, of which 118,000 shares are issued and outstanding on the date hereof and held of record and beneficially by the Stockholders as set forth on Schedule I. All such issued and outstanding shares of Common Stock have been and on the Closing Date will be, duly and validly issued and are, or will be on such date, fully paid and non-assessable. Except for the Shares, there are not, and on the Closing Date there will not be, outstanding (i) any shares of capital stock or other equity interests of the Company, (ii) any options, warrants or other rights to purchase from the Company any capital stock of the Company; (iii) any securities convertible into or exchangeable for shares of such stock; or (iv) any other commitments of any kind for the issuance of additional shares of capital stock or options, warrants or other securities of the Company. No shares of Common Stock are held in the treasury of the Company.

3.03. Subsidiaries. The Company has no, and has never had any, equity interest in any corporation, joint venture, partnership, limited liability company or other entity.

3.04. Authorization. The execution and delivery by the Company of this Agreement and the agreements provided for herein, and the consummation by the Company of all transactions contemplated hereunder and thereunder by the Company, have been duly authorized by all requisite corporate action. This Agreement has been duly executed by the Company and the Stockholders. This Agreement and all other agreements and obligations entered into and undertaken in connection with the transactions contemplated hereby to which the Company or any of the Stockholders is a party constitute the valid and legally binding obligations of the Company and the Stockholders, enforceable against them in accordance with their respective terms. The execution, delivery and performance by the Company and the Stockholders of this Agreement and the agreements provided for herein, and the consummation by the Company and the Stockholders of the transactions contemplated hereby and thereby, will not, with or without the giving of notice or the passage of time or both, (a) violate the provisions of any law, rule or regulation applicable to the Company or any of the Stockholders; (b) violate the provisions of the Articles of Incorporation or Bylaws of the Company; (c) violate any judgment, decree, order or award of any court, governmental body or arbitrator; or (d) conflict with or result in the breach or termination of any term or provision of, or constitute a default under, or cause any acceleration under, or cause the creation of any lien, charge or encumbrance upon the properties or assets of the Company pursuant to, any indenture, mortgage, deed of trust or other instrument or agreement to which the Company is a party or by which the Company or any of its properties is or may be bound. Section 3.04 of the Disclosure Schedule sets forth a true, correct and complete list of all consents and approvals of third parties that are required in connection with the consummation by the Company of the transactions contemplated by this Agreement.

3.05. Financial Statements.

(a) The Stockholders have previously delivered to the Buyer Financial Statements. The Financial Statements have been prepared in accordance with GAAP applied consistently with past practices and, in the case of the audited Financial Statements, have been certified without qualification by Weaver and Tidwell, LLP, the Company's independent public accountants.

(b) The Financial Statements fairly present, as of their respective dates, the financial condition, retained earnings, assets and liabilities of the Company and the results of operations of the Company's business for the periods indicated. With respect to contracts and commitments for the sale of goods or the provision of services by the Company, the Financial Statements contain and reflect adequate reserves, which are consistent with previous reserves taken, for all reasonably anticipated material losses and costs and expenses. The amounts shown as accrued for current and deferred taxes in the Financial Statements are sufficient for the payment of all accrued and unpaid federal, state and local income and other taxes, interest, penalties, assessments or deficiencies applicable to the Company, whether disputed or not, for the applicable period then ended and periods prior thereto.

(c) The book value of inventory reflected on the Most Recent Balance Sheet, as computed on a first in, first out basis, is true and correct.

(d) McGladrey & Pullen, LLP and Weaver and Tidwell, LLP, the Company's auditors from 1999 to 2002 and from 2003 to the present, respectively, each was and has been at all times during its engagement by the Company (i) "independent" with respect to the Company within the meaning of Regulation S-X promulgated under the Securities Act of 1933, as amended, and (ii) in compliance with subsections (g) through (l) of Section 10A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (to the extent applicable) and the related rules of the Securities and Exchange Commission.

(e) The Company maintains accurate books and records reflecting its assets and liabilities and maintains proper and adequate internal control over financial reporting which provide assurance that (i) transactions are executed with management's authorization, (ii) transactions are recorded as necessary to permit preparation of the financial statements of the Company and to maintain accountability for the Company's assets, (iii) access to assets of the Company is permitted only in accordance with management's authorization, (iv) the reporting of assets of the Company is compared with existing assets at regular intervals and (v) accounts, notes and other receivables and inventory were recorded accurately, and proper and adequate procedures are implemented to effect the collection thereof on a current and timely basis.

3.06. Absence of Certain Changes and Undisclosed Liabilities.

(a) Since the Most Recent Balance Sheet Date, there has occurred no event or development which, individually or in the aggregate, has had, or could reasonably be expected to have in the future, a material adverse change, event, circumstance or development with respect to, or material adverse effect on, the business, assets, liabilities, capitalization, prospects, condition (financial or other), or results of operations of the Company or the ability of the Buyer to operate the business of the Company immediately after the Closing.

(b) Except as and to the extent (i) reflected and reserved against in the Most Recent Balance Sheet or (ii) set forth on Section 3.06 of the Disclosure Schedule, either individually or in the aggregate, the Company has no liability or obligation, secured or unsecured, whether accrued, absolute, contingent, unasserted or otherwise, which is material to the condition (financial or otherwise) of the assets, properties, business or prospects of the Company.

3.07. Litigation. Except as set forth in Section 3.07 of the Disclosure Schedule, (a) there is no action, suit or proceeding to which the Company is a party (either as a plaintiff or defendant) pending or, to the best knowledge of the Company and the Stockholders, threatened before any court or governmental agency, authority, body or arbitrator and, to the best knowledge of the Company and the Stockholders, there is no basis for any such action, suit or proceeding; (b) neither the Company, nor, to the best knowledge of the Company and the Stockholders, any officer, director or employee of any of the foregoing, has been permanently or temporarily enjoined by any order, judgment or decree of any court or any governmental agency, authority or body from engaging in or continuing any conduct or practice in connection with the business, assets, or properties of the Company; and (c) there is not in existence on the date hereof any order, judgment or decree of any court, tribunal or agency enjoining or requiring the Company to take any action of any kind with respect to its business, assets or properties.

3.08. Insurance. Section 3.08 of the Disclosure Schedule sets forth a true, correct and complete list of all fire, theft, casualty, general liability, workers compensation, business interruption, environmental impairment, product liability, automobile and other insurance policies maintained by the Company and of all life insurance policies maintained on the lives of any of its employees, specifying the type of coverage, the amount of coverage, the premium, the insurer and the expiration date of each such policy (collectively, the "Insurance Policies") and all claims made under such Insurance Policies. True, correct and complete copies of all Insurance Policies have been previously delivered by the Stockholders to the Buyer. The Insurance Policies are in full force and effect. All premiums due on the Insurance Policies or renewals thereof have been paid, and there is no default under the Insurance Policies. The Company has not received any notice or other communication from any issuer of the Insurance Policies canceling or materially amending any of the Insurance Policies, materially increasing any deductibles or retained amounts thereunder, or materially increasing the annual or other premiums payable thereunder, and, to the best knowledge of the Company and the Stockholders, no such cancellation, amendment or increase of deductibles, retainages or premiums is threatened. The Company does not have any outstanding claims or disputes with any insurance carrier regarding claims, settlements or premiums and the Company has not failed to give any notice or present any claim under any Insurance Policy in due and timely fashion. There are no outstanding requirements or recommendations by any issuer of the Insurance Policies or by any Board of Fire Underwriters or other similar body exercising similar functions or by any governmental authority exercising similar functions which requires or recommends any changes in the conduct of the business of, or any repairs or other work to be done on or with respect to any of the properties or assets of, the Company.

3.09. Personal Property. Section 3.09 of the Disclosure Schedule sets forth: (i) a true, correct and complete list of all items of tangible personal property owned by the Company as of the date hereof having either a net book value per unit or an estimated fair market value per unit in excess of 10,000; or not owned by the Company but in the possession of or used or useful in the business of the Company and having rental payments therefor in excess of \$1,000 per month or \$12,000 per year (collectively, the "Personal Property"); and (ii) a description of the owner of, and any agreement relating to the use of, each item of Personal Property not owned by the Company and the circumstances under which such Property is used. Except as set forth on Section 3.09 of the Disclosure Schedule:

(a) the Company has good and marketable title to each item of Personal Property free and clear of all liens, leases, encumbrances, claims under bailment and storage agreements, equities, conditional sales contracts, security interests, charges and restrictions, except for liens, if any, for personal property taxes not due and the statutory and contractual landlord's lien in favor of the landlord under the Company's office lease;

(b) no officer, director, stockholder or employee of the Company, nor any spouse, child or other relative or affiliate thereof, owns directly or indirectly, in whole or in part, any of the Personal Property described or Section 3.09 of the Disclosure Schedule;

(c) each item of Personal Property not owned by the Company is in such condition that upon the return of such property to its owner in its present condition at the end of the relevant lease term or as otherwise contemplated by the applicable agreement between the Company and the owner or lessor thereof, the obligations of the Company to such owner or lessor will be discharged;

(d) the Personal Property is in good operating condition and repair, normal wear and tear excepted, is currently used by the Company in the ordinary course of its business and normal maintenance has been consistently performed with respect to the Personal Property; and

(e) the Company owns or otherwise has the right to use all of the Personal Property now used or useful in the operation of its business or the use of which is necessary for or useful in the performance of any material contract, letter of intent or proposal to which it is a party.

3.10. Intellectual Property.

(a) Section 3.10(a) of the Disclosure Schedule lists (i) each patent, patent application, copyright registration or application therefor, mask work registration or application therefor, and trademark, service mark and domain name registration or application therefor of the Company and (ii) each Customer Deliverable having a retail price per unit of at least \$10,000 of the Company.

(b) The Company owns or has the right to use all Intellectual Property necessary (i) to use, manufacture, have manufactured, market and distribute the existing Customer Deliverables and (ii) to operate the Internal Systems. Each item of Company Intellectual Property will be owned or available for use by the Company or the Buyer immediately following the Closing on substantially identical terms and conditions as it was immediately prior to the Closing. The Company has taken all reasonable measures to protect the proprietary nature of each item of Company Intellectual Property, and to maintain in confidence all trade secrets and confidential information, that it owns or uses. No other person or entity has any rights to any of the Company Intellectual Property owned by the Company (except pursuant to agreements or licenses specified in on Section 3.10(b) of the Disclosure Schedule), and, to the knowledge of the Company and the Stockholders, no other person or entity is infringing, violating or misappropriating any of the Company Intellectual Property.

(c) None of the Customer Deliverables, or the marketing, distribution, provision or use thereof, infringes or violates, or constitutes a misappropriation of, any Intellectual Property rights of any person or entity. None of the Internal Systems, or the use thereof, infringes or violates, or constitutes a misappropriation of, any Intellectual Property rights of any person or entity. Section 3.10(c) of the Disclosure Schedule lists any complaint, claim or notice, or written threat thereof, received by the Company alleging any such infringement, violation or misappropriation; and the Stockholders have provided to the Buyer complete and accurate copies of all written documentation relating to any such complaint, claim, notice or threat. The Stockholders have provided to the Buyer complete and accurate copies of all written documentation relating to claims or disputes known to the Company or the Stockholders concerning any Company Intellectual Property.

(d) Section 3.10(d) of the Disclosure Schedule identifies each license or other agreement pursuant to which the Company has licensed, distributed or otherwise granted any rights to any third party with respect to, any Company Intellectual Property. Except as described on Section 3.10(d) of the Disclosure Schedule, the Company has not agreed to indemnify any person or entity against any

infringement, violation or misappropriation of any Intellectual Property rights with respect to any Customer Deliverables.

(e) Section 3.10(e) of the Disclosure Schedule identifies each item of Company Intellectual Property that is owned by a party other than the Company, and the license or agreement pursuant to which the Company uses it (excluding off-the-shelf software programs licensed by the Company pursuant to “shrink wrap” licenses).

(f) The Company has not disclosed the source code for the Software or other confidential information constituting, embodied in or pertaining to the Software to any person or entity, except pursuant to the agreements listed on Section 3.10(f) of the Disclosure Schedule, and the Company has taken reasonable measure to prevent disclosure of such source code.

(g) All of the copyrightable materials (including Software) incorporated in or bundled with the Customer Deliverables have been created by employees of the Company within the scope of their employment by the Company or by independent contractors of the Company who have executed agreements expressly assigning all right, title and interest in such copyrightable materials to the Company. No portion of such copyrightable materials was jointly developed with any third party.

(h) The existing Customer Deliverables and the existing Internal Systems perform their intended functions in all material respects. Section 3.10(h) of the Disclosure Schedule lists all unresolved installation problems or other unresolved customer complaints related to Customer Deliverables which cost \$3,000 or more per installation problem or customer complaint, as the case may be, or \$10,000 or more per customer, in the aggregate, to rectify.

(i) Section 3.10(i) of the Disclosure Schedule lists all Open Source Materials that the Company has used in any way and describes the manner in which such Open Source Materials have been used by the Company, including, without limitation, whether and how the Open Source Materials have been modified and/or distributed by the Company. Except as set forth in the Disclosure Schedule, the Company has not (i) incorporated any Open Source Materials into, or combined Open Source Materials with, any Customer Deliverables; (ii) distributed Open Source Materials in connection with any Customer Deliverables; or (iii) used Open Source Materials that (with respect to either clause (i), (ii) or (iii) above) (A) create, or purport to create, obligations for the Company with respect to software developed or distributed by the Company or (B) grant, or purport to grant, to any third party, any rights or immunities under Intellectual Property rights. Without limiting the generality of the foregoing, the Company has not used any Open Source Materials that require, as a condition of use, modification and/or distribution of such Open Source Materials, that other software incorporated into, derived from or distributed with such Open Source Materials be (1) disclosed or distributed in source code form, (2) licensed for the purpose of making derivative works or (3) redistributable at no charge.

3.11. Leases. Section 3.11 of the Disclosure Schedule sets forth (a) a true, correct and complete list as of the date hereof of all leases of real property, identifying separately each ground lease, to which the Company is a party (collectively, the “Leases”). True, correct and complete copies of all Leases and all amendments, modifications and supplemental agreements thereto, have previously been delivered by the Stockholders to the Buyer. The Leases are in full force and effect, are binding and enforceable against each of the parties thereto in accordance with their respective terms and have not been modified or amended since the date of delivery to the Buyer. No party to any Lease has sent written notice to the other claiming that such other party is in default thereunder and that such default remains uncured. There has not occurred any event which would constitute a breach of or default in the performance of any covenant, agreement or condition contained in any Lease, nor has there occurred any event which with the passage of time or the giving of notice or both would constitute such a breach or

material default. The Company is not obligated to pay any leasing or brokerage commission relating to any Lease and will not have any obligation to pay any leasing or brokerage commission upon the renewal of any Lease. No construction, alteration or other leasehold improvement work with respect to any of the Leases remains to be paid for or to be performed by the Company, other than amortization of lease improvements included within the current monthly rent for the Company's office space. The Financial Statements contain adequate reserves to provide for the restoration of the property subject to the Leases at the end of the respective Lease terms, to the extent required by the Leases.

3.12. Real Estate. The Company does not own any real property.

3.13. Inventory. Section 3.13 of the Disclosure Schedule sets forth a true, correct and complete list of the inventory of the Company (the "Inventory") as of March 31, 2006. No material adverse change to the Inventory has occurred since March 31, 2006. The Inventory consists of items of a quality and quantity which are usable or saleable without discount in the ordinary course of the business conducted by the Company. The value of all items of obsolete materials and of materials of below standard quality have been written down to realizable market value and the values at which such inventory is carried reflect the normal Inventory valuation policy of the Company of stating Inventory at the lower of cost or market value in accordance with generally accepted accounting principles.

3.14. Accounts Receivable. Section 3.14 of the Disclosure Schedule sets forth a true, correct and complete list of the accounts and notes receivable of the Company (the "Accounts Receivable"), including the aging thereof as of March 31, 2006. No material adverse change to the Accounts Receivable has occurred since March 31, 2006. All Accounts Receivable arose out of the sales of inventory or services in the ordinary course of business and are collectible in the face value thereof within 90 days after the date of installation and customer acceptance, using normal collection procedures, net of the reserve for doubtful accounts set forth thereon, which reserve is adequate and was calculated in accordance with generally accepted accounting principles consistently applied.

3.15. Taxes.

(a) Except as set forth on Section 3.15(a) of the Disclosure Schedule:

(i) The Company has properly filed on a timely basis all Tax Returns that it was required to file, and all such Tax Returns were true, correct and complete in all respects. The Company is not and has never been a member of a group of corporations with which it has filed (or been required to file) consolidated, combined or unitary Tax Returns. The Company has paid on a timely basis all Taxes that were due and payable;

(ii) The Company (a) does not have any actual or potential liability under Treasury Regulations Section 1.1502-6 (or any comparable or similar provision of federal, state, local or foreign law), as a transferee or successor, pursuant to any contractual obligation, or otherwise for any Taxes of any person other than the Company and (b) is not a party to or bound by any Tax indemnity, Tax sharing, Tax allocation or similar agreement. All Taxes that the Company was required by law to withhold or collect have been duly withheld or collected and, to the extent required, have been properly paid to the appropriate Taxing Authority;

(iii) The Stockholders have delivered to the Buyer (a) complete and correct copies of all federal Income Tax Returns of the Company relating to Taxes for all taxable periods for which the applicable statute of limitations has not yet expired and (b) complete and correct copies of all private letter rulings, revenue agent reports, information document requests, notices of proposed deficiencies, deficiency notices, protests, petitions, closing agreements, settlement agreements, pending

ruling requests and any similar documents submitted by, received by or agreed to by or on behalf of the Company;

(iv) The Stockholders have delivered or made available to the Buyer complete and correct copies of all other Tax Returns of the Company. No examination or audit of any Tax Return of the Company by any Taxing Authority is currently in progress or, to the knowledge of the Company and the Stockholders, threatened or contemplated. Neither the Company nor any Stockholder has been informed by any jurisdiction that the jurisdiction believes that the Company was required to file any Tax Return that was not filed. The Company has not (a) waived any statute of limitations with respect to Taxes or agreed to extend the period for assessment or collection of any Taxes, (b) requested any extension of time within which to file any Tax Return, which Tax Return has not yet been filed, or (c) executed or filed any power of attorney with any Taxing Authority;

(v) The Company has never distributed to its stockholders or security holders stock or securities of a controlled corporation, nor has stock or securities of the Company been distributed, in a transaction to which Section 355 of the Code applies (a) in the two years prior to the date of this Agreement or (b) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) that includes the transactions contemplated by this Agreement;

(vi) At all times since June 1, 1998, for federal income tax purposes, the Company has validly been treated as an "S corporation" within the meaning of Code Section 1361(a) and has validly been treated in a similar manner for purposes of the income tax laws of all states in which it has been subject to taxation;

(vii) The Company does not have more than \$100,000 of "net unrealized built-in gain" within the meaning of Code Section 1374(d) that would give rise to taxation pursuant to Section 1374 of the Code (or comparable provisions of state law) if all of the assets of the Company were disposed of as of the end of the day immediately preceding the Closing Date at their respective fair market values;

(b) Section 3.15(b) of the Disclosure Schedule sets forth those taxable years for which the tax returns of the Company has been reviewed or audited by applicable federal, state, local and foreign taxing authorities and those tax years for which said Tax Returns have received clearances or other indications of approval from applicable federal, state, local and foreign taxing authorities. To the best knowledge of the Company and the Stockholders, no issue or issues have been raised in connection with any prior or pending review or audit or said federal, state, local or foreign Tax Returns which the Company and Stockholders reasonably believe may be expected to be raised in the future by such taxing authorities in connection with the audit or review of the tax returns of the Company. Section 3.15(b) of the Disclosure Schedule sets forth each jurisdiction (other than United States federal) in which the Company files, is required to file or has been required to file a Tax Return or is or has been liable for any Taxes on a "nexus" basis.

3.16. Books and Records. The general ledgers and books of account of the Company, all federal, state and local income, franchise, property and other tax returns filed by the Company are in all material respects complete and correct and have been maintained in accordance with good business practice and in accordance with all applicable procedures required by laws and regulations.

3.17. Contracts and Commitments.

(a) Section 3.17(a) of the Disclosure Schedule contains a true, complete and correct list and description of the following contracts and agreements, whether written or oral (collectively, the "Contracts"):

(i) all loan agreements, indentures, mortgages and guaranties to which the Company is a party or by which the Company or any of its property is bound;

(ii) all pledges, conditional sale or title retention agreements, security agreements, equipment obligations, personal property leases and lease purchase agreements to which the Company is a party or by which the Company or any of its property is bound;

(iii) all contracts, agreements, commitments, purchase orders or other understandings or arrangements to which the Company is a party or by which the Company or any of its property is bound which (A) involve payments or receipts by the Company of more than \$15,000 in the case of any single contract, agreement, commitment, understanding or arrangement under which full performance (including payment) has not been rendered by all parties thereto or (B) may materially adversely affect the condition (financial or otherwise) or the properties, assets, business or prospects of the Company;

(iv) all collective bargaining agreements, employment and consulting agreements, executive compensation plans, bonus plans, deferred compensation agreements, pension plans, retirement plans, employee stock option or stock purchase plans and group life, health and accident insurance and other employee benefit plans, agreements, arrangements or commitments to which the Company is a party or by which the Company or any of its property is bound;

(v) all agency, distributor, sales representative, franchise or similar agreements to which the Company is a party or by which the Company or any of its property is bound;

(vi) all contracts, agreements or other understandings or arrangements between the Company (including, but not limited to, any Tax sharing arrangements) or between the Company or its affiliates;

(vii) all leases, whether operating, capital or otherwise, under which the Company is lessor or lessee;

(viii) all contracts, agreements or other arrangements imposing a non-competition or non-solicitation obligation on the Company; and

(ix) any other material agreements or contracts entered into by the Company.

(b) Except as set forth on Section 3.17(b) of the Disclosure Schedule:

(i) each Contract is a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, and neither the Company nor the Stockholders have any knowledge that any Contract is not a valid and binding agreement of the other parties thereto;

(ii) the Company has fulfilled all material obligations required pursuant to the Contracts to have been performed by the Company on its part prior to the date hereof, and neither the

Company nor the Stockholders have any reason to believe that it will not be able to fulfill, when due, all of its obligations under the Contracts which remain to be performed after the date hereof;

(iii) the Company is not in breach of or default under any Contract, and no event has occurred which with the passage of time or giving of notice or both would constitute such a default, result in a loss of rights or result in the creation of any lien, charge or encumbrance, thereunder or pursuant thereto;

(iv) to the best knowledge of the Company and the Stockholders, there is no existing breach or default by any other party to any Contract, and no event has occurred which with the passage of time or giving of notice or both would constitute a default by such other party, result in a loss of rights or result in the creation of any lien, charge or encumbrance thereunder or pursuant thereto;

(v) there are not, and have never been, any claims of a non-routine nature relating to the Company by customers of the Company under any warranties, whether express or implied;

(vi) the Company is not restricted by any Contract from carrying on its business anywhere in the world;

(vii) the Company is not a party to any agreement under which a third party would be entitled to receive a license or any other right to intellectual property of the Buyer or any affiliate of the Buyer after the Closing;

(viii) the Company has no written or oral contracts to sell products or perform services which are expected to be performed at, or to result in, a loss;

(c) True, correct and complete (i) copies of all written Contracts and (ii) descriptions of all oral Contracts have previously been delivered by the Stockholders to the Buyer.

3.18. Compliance with Agreements and Laws.

(a) The Company has all requisite licenses, permits and certificates, including environmental, health and safety permits, from federal, state and local authorities necessary to conduct its business and own and operate its assets (collectively, the "Permits"). Section 3.18 of the Disclosure Schedule sets forth a true, correct and complete list of all such Permits, copies of which have previously been delivered by the Stockholders to the Buyer. The Company is not in violation of any law, regulation or ordinance (including, without limitation, laws, regulations or ordinances relating to building, zoning, environmental, disposal of hazardous substances, land use or similar matters) relating to its properties. The business of the Company has not violated, and on the date hereof does not violate any federal, state, local or foreign laws, regulations or orders (including, but not limited to, any of the foregoing relating to employment discrimination, occupational safety, environmental protection, hazardous waste, conservation, or corrupt practices). The Company has not had notice or communication from any federal, state or local governmental or regulatory authority or otherwise of any such violation or noncompliance.

(b) No products manufactured, sold or distributed (either directly or indirectly) by the Company contain any Materials of Environmental Concern that, on either the part of the Company or any third party, would (i) require the posting of warning signs where the product is manufactured, or at any location where the product is used as part of or incorporated into a subsequent manufacturing or assembly process, (ii) require the inclusion of a mandatory warning in any packaging for the product, or the packaging for any other product or material which includes the product, (iii) be subject, or currently are proposed to be subject, to any Environmental Law which restricts or otherwise requires the phase-out

or discontinuance of the use of such Materials of Environmental Concern in the product, or (iv) would make the product, or any other product into which the product is incorporated, subject to the mandatory recycling, disposal, producer take-back, or producer financial assurance provisions of any Environmental Law.

3.19. Employee Relations.

(a) The Company is in compliance with all federal, state and municipal laws respecting employment and employment practices, terms and conditions of employment, and wages and hours, and is not engaged in any unfair labor practice, and there are no arrears in the payment of wages or employment-related or social security Taxes.

(b) Except as set forth in Section 3.19(b) of the Disclosure Schedule:

(i) none of the employees of the Company is represented by any labor union;

(ii) there is no unfair labor practice complaint against the Company pending before the National Labor Relations Board or any state or local agency;

(iii) there is no pending labor strike or other material labor trouble affecting the Company (including, without limitation, any organizational drive);

(iv) there is no material labor grievance pending against the Company;

(v) there is no pending representation question respecting the employees of the Company;

(vi) there are no pending arbitration proceedings arising out of or under any collective bargaining agreement to which the Company is a party, or to the best knowledge of the Company and the Stockholders, any basis for which a claim may be made under any collective bargaining agreement to which the Company is a party; and

(vii) the Company has no continuing obligation for health, life, medical insurance or other similar fringe benefits to any former employee of the Company.

(c) Section 3.19(c) of the Disclosure Schedule sets forth a true, correct and complete list of the current payroll of the Company, including the job descriptions and salary or wage rates of each of its employees, showing separately for each such person who received an annual salary in excess of \$25,000 the maximum amounts paid or payable as salary and bonus payments for the fiscal year ended December 31, 2005.

(d) Except as set forth in Section 3.19(d) of the Disclosure Schedule, each current and past employee of the Company and each consultant to the Company who has been employed or engaged by the Company since January 1, 1999, has entered into a confidentiality/assignment of inventions agreement with the Company, a copy or form of which has previously been delivered to the Buyer. Section 3.19(d) of the Disclosure Schedule also contains a list of each employee of the Company who is a party to a non-competition agreement with the Company; copies of such agreements have previously been delivered to the Buyer. Each such agreement referenced in the two preceding sentences to which the Company is a party will continue to be legal, valid, binding and enforceable and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect

immediately prior to the Closing. Section 3.19(d) of the Disclosure Schedule contains a list of all employees of the Company who are not citizens of the United States. To the knowledge of the Company and the Stockholders, no key employee or group of employees has any plans to terminate employment with the Company either before or after the Closing.

(e) For purposes of this Section 3.19, the term "employee" shall be construed to include sales agents and other independent contractors who spend a majority of their working time on the business of the Company.

3.20. Employee Benefit Plans.

(a) Section 3.20(a) of the Disclosure Schedule contains a complete and accurate list of all Employee Benefit Plans (as defined below) maintained, or contributed to, by the Company or any ERISA Affiliate (as defined below) (the "Company Plans"). Complete and accurate copies of (i) all Company Plans which have been reduced to writing, (ii) written summaries of all unwritten Company Plans, (iii) all related trust agreements, insurance contracts and summary plan descriptions, and (iv) all annual reports filed on IRS Form 5500, 5500C or 5500R and (for all funded plans) all plan financial statements for the last five plan years for each Company Plan, have been delivered to the Buyer. For purposes of this Agreement, the term "Employee Benefit Plan" shall mean any "employee pension benefit plan" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("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. For purposes of this Agreement, the term "ERISA Affiliate" shall mean any entity which is, or at any applicable time was, a member of (1) a controlled group of corporations (as defined in Section 414(b) of the Code), (2) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), or (3) 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) Each Company Plan has been administered in all material respects in accordance with its terms, and each of the Company and the ERISA Affiliates has in all material respects met its obligations with respect to each Company Plan and has made all required contributions thereto. The Company, each ERISA Affiliate and each Company Plan are in compliance in all material respects with the currently applicable provisions of ERISA and the Code and the regulations thereunder (including Section 4980 B of the Code, Subtitle K, Chapter 100 of the Code and Sections 601 through 608 and Section 701 et seq. of ERISA). All filings and reports as to each Company Plan required to have been submitted to the Internal Revenue Service or to the United States Department of Labor have been duly submitted.

(c) There is no action, suit, proceeding, claim, arbitration or investigation before any Governmental Entity or before any arbitrator (except claims for benefits payable in the normal operation of the Company Plans and proceedings with respect to qualified domestic relations orders) against or involving any Company Plan or asserting any rights or claims to benefits under any Company Plan that could give rise to any material liability.

(d) All the Company Plans that are intended to be qualified under Section 401(a) of the Code have received determination letters from the Internal Revenue Service to the effect that such Company Plans are qualified and the plans and the 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 Company Plan has been amended 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. Each Company 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 the requirements of Section 401(k)(3) and Section 401(m)(2) of the Code for each plan year ending prior to the Closing Date.

(e) Neither the Company nor any ERISA Affiliate has ever maintained an Employee Benefit Plan subject to Section 412 of the Code or Title IV of ERISA.

(f) At no time has the Company or any ERISA Affiliate been obligated to contribute to any "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA).

(g) No Company Plan provides benefits after termination of employment to any employee of the Company (or to any beneficiary of any such employee) other than continuation of health coverage required to be continued under Section 4980B of the Code or other applicable law and insurance conversion privileges under state law. The assets of each Company Plan which is funded are reported at their fair market value on the books and records of such Company Plan.

(h) No act or omission has occurred and no condition exists with respect to any Company Plan that would subject the Company or any ERISA Affiliate to (i) any material fine, penalty, tax or liability of any kind imposed under ERISA or the Code or (ii) any contractual indemnification or contribution obligation protecting any fiduciary, insurer or service provider with respect to any Company Plan.

(i) Each Company Plan is amendable and terminable unilaterally by the Company at any time without liability or expense to the Company or such Company Plan as a result thereof (other than for benefits accrued through the date of termination or amendment and reasonable administrative expenses related thereto) and no Company 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 Plan.

(j) Section 3.20(j) of the Disclosure Schedule discloses each: (i) agreement with any stockholder, director, executive officer or other key employee of the Company (A) the benefits of which are contingent, or the terms of which are altered, upon the occurrence of a transaction involving the Company of the nature of any of the transactions contemplated by this Agreement, (B) providing any term of employment or compensation guarantee or (C) providing severance benefits or other benefits after the termination of employment of such director, executive officer or key employee; (ii) agreement, plan or arrangement under which any person may receive payments from the Company that may be subject to the tax imposed by Section 4999 of the Code or included in the determination of such person's "parachute payment" under Section 280G of the Code; and (iii) agreement or plan binding the Company, including any stock option plan, stock appreciation right plan, restricted stock plan, stock purchase plan, severance benefit plan or Company Plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement.

3.21. Absence of Certain Changes or Events.

(a) Since the Most Recent Balance Sheet Date, the Company has not entered into any transaction which is not in the usual and ordinary course of business, and, without limiting the generality of the foregoing, the Company has not:

- (i) incurred any material obligation or liability for borrowed money;
- (ii) discharged or satisfied any lien or encumbrance or paid any obligation or liability other than current liabilities reflected in the Most Recent Balance Sheet;
- (iii) mortgaged, pledged or subjected to lien, charge or other encumbrance any of its properties or assets;
- (iv) sold or purchased, assigned or transferred any of its tangible assets or cancelled any debts or claims, except for inventory sold and raw materials purchased in the ordinary course of business;
- (v) made any material amendment to or termination of any Contract or done any act or omitted to do any act which would cause the breach of any Contract;
- (vi) suffered any losses of personal or real property, whether insured or uninsured, and whether or not in the control of the Company, in excess of \$5,000 in the aggregate, or waived any rights of any value;
- (vii) authorized any declaration or payment of dividends by the Company, or paid any such dividends, or authorized any transfer of assets of any kind whatsoever by the Company to any of its respective stockholders with respect to any shares of their capital stock;
- (viii) received notice of any litigation, warranty claim or products liability claims;
- (ix) made any material change in the terms, status or funding condition of any Company Plan;
- (x) engaged any new employee;
- (xi) made, or committed to make, any changes in the compensation payable to any officer, director, employee or agent of the Company, or any bonus payment or similar arrangements made to or with any of such officers, directors, employees or agents, except for the bonuses set forth in Section 3.21 of the Disclosure Schedule;
- (xii) incurred any capital expenditure in excess of \$1,000 in any instance or \$10,000 in the aggregate;
- (xiii) made any material alteration in the manner of keeping the books, accounts or records of the Company, or in the accounting practices therein reflected; or
- (xiv) suffered any material adverse change in the consolidated results of operations, condition (financial or otherwise), assets, liabilities (whether absolute, accrued, contingent or otherwise), business or prospects of the Company.

(b) Neither the Company nor the Stockholders have any knowledge of any existing or threatened occurrence, event or development which, as far as can be reasonably foreseen, could have a material adverse effect on the business, properties, assets, condition (financial or otherwise) or prospects of the Company.

3.22. Customers. Section 3.22 of the Disclosure Schedule sets forth a true, correct and complete list of the names and addresses of each customer of the Company which accounted for more than 5% of the revenues of the Company in the fiscal year ended December 31, 2005. The Company has good customer relations, and none of the customers of the Company has notified the Company that it intends to discontinue its relationship with the Company.

3.23. Suppliers. Section 3.23 of the Disclosure Schedule sets forth a true, correct and complete list of (i) the names and addresses of each of the suppliers of the Company which accounted for a dollar volume of purchases by the Company in excess of \$25,000 for the fiscal year ended December 31, 2005, and (ii) the present sole source suppliers of significant goods or services, other than utilities, for any product with respect to which practical alternative sources of supply are not available on comparable terms and conditions, indicating the contractual arrangements for continued supply from each such supplier. The Company has good relations with all of its suppliers. The Company is not more than 30 days in arrears in any trade accounts payable or other payments owing to any supplier.

3.24. Warranty and Product Liability Claims. Section 3.24 of the Disclosure Schedule contains a true, correct and complete list of all warranty and product liability claims made against the Company since January 1, 2004 and that cost more than \$5,000 to rectify, the current status of all such claims and the costs of all actions taken in satisfaction of such claims. All information relative to such claims and those arising thereafter shall be available to the Buyer from and after the date hereof.

3.25. Prepayments and Deposits. Section 3.25 of the Disclosure Schedule sets forth all prepayments and deposits, which have been received by the Company as of the date hereof, from customers for products to be shipped, or services to be performed, after the Closing Date.

3.26. Indebtedness to and from Officers, Directors and Stockholders. The Company is not indebted, directly or indirectly, to any person who is an officer, director or stockholder of the Company or any affiliate of any such person in any amount whatsoever other than for salaries for services rendered or reimbursable business expenses, all of which have been reflected on the Financial Statements, and no such officer, director, stockholder or affiliate is indebted to the Company except for advances made to employees of the Company in the ordinary course of business to meet reimbursable business expenses anticipated to be incurred by such obligor. The Company has not, since July 30, 2002, extended or maintained credit, arranged for the extension of credit, modified or renewed an extension of credit, in the form of a personal loan or otherwise, to or for any director or executive officer of the Company. Section 3.26 of the Disclosure Schedule identifies any loan or extension of credit maintained by the Company to which the second sentence of Section 13(k)(1) of the Exchange Act applies.

3.27. Banking Facilities. Section 3.27 of the Disclosure Schedule sets forth a true, correct and complete list of:

(a) each bank, savings and loan or similar financial institution in which the Company has an account or safety deposit box (the "Company Bank Accounts") and the numbers of the accounts or safety deposit boxes maintained by the Company thereat; and

(b) the names of all persons authorized to draw on each such account or to have access to any such safety deposit box facility, together with a description of the authority (and conditions thereof, if any) of each such person with respect thereto.

3.28. Powers of Attorney and Suretyships. The Company has no general or special powers of attorney outstanding (whether as grantor or grantee thereof) and has no obligation or liability (whether actual, accrued, accruing, contingent or otherwise) as guarantor, surety, co-signer, endorser, co-maker, indemnitor or otherwise in respect of the obligation of any person, corporation, partnership, joint venture, association, organization or other entity, except as endorser or maker of checks or letters of credit, respectively, endorsed or made in the ordinary course of business.

3.29. Conflicts of Interest. No officer, director or Stockholder of the Company nor, to the best knowledge of the Company and the Stockholders, any affiliate of any such person, now has or within the last three (3) years had, either directly or indirectly:

(a) an equity or debt interest in any corporation, partnership, joint venture, association, organization or other person or entity (other than ownership (by anyone other than the Company) of not more than 1% of the outstanding shares of capital stock of a publicly-traded company) which furnishes or sells or during such period furnished or sold services or products to the Company, or purchases or during such period purchased from the Company any goods or services, or otherwise does or during such period did business with the Company; or

(b) a beneficial interest in any contract, commitment or agreement to which the Company is or was a party or under which it is or was obligated or bound or to which any of its properties may be or may have been subject, other than stock options and other contracts, commitments or agreements between the Company and such persons in their capacities as employees, officers or directors of the Company.

3.30. Regulatory Approvals. All consents, approvals, authorizations or other requirements prescribed by any law, rule or regulation which must be obtained or satisfied by the Company and which are necessary for the execution and delivery by the Stockholders and the Company of this Agreement or any documents to be executed and delivered by the Stockholders or the Company in connection herewith are set forth on Section 3.30 of the Disclosure Schedule and have been, or prior to the Closing Date will be, obtained and satisfied.

3.31. Disclosure. The information concerning the Company set forth in this Agreement, the Exhibits and Schedules attached hereto and any document, statement or certificate furnished or to be furnished to the Buyer pursuant hereto does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated herein or therein or necessary to make the statements and facts contained herein or therein, in light of the circumstances in which they are made, not false and misleading. The Stockholders and the Company have disclosed to the Buyer all material facts pertaining to the transactions contemplated by this Agreement and the Exhibits hereto. Copies of all documents heretofore or hereafter delivered or made available to the Buyer pursuant to this Agreement were or will be complete and accurate copies of such documents.

4. Representations of the Buyer.

The Buyer represents and warrants to each Stockholder as follows:

4.01. Organization and Authority. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority

(corporate and other) to own its properties and to carry on its business as now being conducted. The Buyer has full power to execute and deliver this Agreement and the agreements contemplated herein, and to consummate the transactions contemplated hereby and thereby. Certified copies of the Certificate of Incorporation and the Bylaws of the Buyer, as amended to date, have been previously delivered to the Stockholders, are complete and correct, and no amendments have been made thereto or have been authorized since the date thereof.

4.02. Authorization. The execution and delivery of this Agreement by the Buyer, and the agreements provided for herein, and the consummation by the Buyer of the transactions contemplated hereby and thereby, have been duly authorized by all requisite corporate action by or on behalf of the Buyer. This Agreement and all such other agreements and written obligations entered into and undertaken in connection with the transactions contemplated hereby constitute the valid and legally binding obligations of the Buyer, enforceable against the Buyer in accordance with their respective terms. The execution, delivery and performance of this Agreement and the agreements provided for herein, and the consummation by the Buyer of the transactions contemplated hereby and thereby, will not, with or without the giving of notice or the passage of time or both, (a) violate the provisions of any law, rule or regulation applicable to the Buyer; (b) violate the provisions of the Buyer's Certificate of Incorporation or Bylaws; (c) violate any judgment, decree, order or award of any court, governmental body or arbitrator; or (d) conflict with or result in the breach or termination of any term or provision of, or constitute a default under, or cause any acceleration under, or cause the creation of any lien, charge or encumbrance upon the properties or assets of the Buyer pursuant to, any indenture, mortgage, deed of trust or other agreement or instrument to which the Buyer is a party or by which the Buyer is or may be bound.

4.03. Regulatory Approvals. All consents, approvals, authorizations and other requirements prescribed by any law, rule or regulation which must be obtained or satisfied by the Buyer and which are necessary for the consummation of the transactions contemplated by this Agreement have been obtained and satisfied.

4.04. Disclosure. No representation or warranty by the Buyer in this Agreement or in any Exhibit hereto, or in any list, statement, document or information set forth in or attached to any Schedule delivered or to be delivered pursuant hereto, contains or will contain any untrue statement of a material fact or omits or will omit any material fact necessary in order to make the statements contained therein not misleading.

4.05. Investment Representation. The Buyer is acquiring the Shares from each Stockholder for its own account for investment and not with a view to, or for sale in connection with, any distribution (within the meaning of the Securities Act of 1933, as amended) thereof, nor with any present intention of distributing or selling the same; and, except as contemplated by this Agreement and the agreements contemplated herein, the Buyer has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for the disposition thereof.

5. Conditions to Obligations of the Buyer.

The obligations of the Buyer under this Agreement are subject to the fulfillment, at the Closing Date, of the following conditions precedent, each of which may be waived in writing in the sole discretion of the Buyer:

5.01. Continued Truth of Representations and Warranties of the Stockholders; Compliance with Covenants and Obligations. The representations and warranties of the Stockholders and the Company shall be true and correct in all material respects (except for representations and warranties that are qualified by materiality, which shall be true and correct in all respects) on and as of the Closing Date

as though such representations and warranties were made on and as of such date (except for representations and warranties that speak as of a certain date which shall be true and correct in all material respects (except for representations and warranties that are qualified by materiality, which shall be true and correct in all respects) as of such date), except for any changes permitted by the terms hereof or consented to in writing by the Buyer. The Stockholders and the Company shall have performed and complied with all terms, conditions, covenants, obligations, agreements and restrictions required by this Agreement to be performed or complied with by each of them prior to or at the Closing Date.

5.02. Governmental Approvals. All Governmental Entities, the consent, authorization or approval of which is necessary under any applicable law, rule, order or regulation for the consummation by the Stockholders or the Company of the transactions contemplated by this Agreement and the operation of the business of the Company by the Buyer shall have consented to, authorized, permitted or approved such transactions.

5.03. Consent of Lenders, Lessors and Other Third Parties. The Stockholders and the Company shall have received all requisite consents and approvals of all lenders, lessors and other third parties whose consent or approval is required in order for the Stockholders and the Company to consummate the transactions contemplated by this Agreement, including without limitation, those set forth on Section 3.04 of the Disclosure Schedule.

5.04. Adverse Proceedings. No action or proceeding by or before any court or other Governmental Entity shall have been instituted or threatened by any Governmental Entity or any other person whatsoever which shall seek to restrain, prohibit or invalidate the transactions contemplated by this Agreement or which might affect the right of the Buyer to own the Shares or to own or operate the business of the Company after the Closing.

5.05. Opinion of Counsel. The Buyer shall have received an opinion of Andrews Barth & Harrison, PC, counsel to the Stockholders and the Company, dated as of the Closing Date, in substantially the form attached hereto as Exhibit C, and as to such other matters as may be reasonably requested by the Buyer or its counsel.

5.06. Employment Contract. On or prior to the Closing Date, the Buyer shall have executed an employment contract with Robert Johnson in the form attached hereto as Exhibit D.

5.07. Escrow Agreements. The Buyer, the Escrow Agent and Robert Johnson shall have executed the Johnson Escrow Agreement; and the Buyer, the Stockholders, the Stockholders' Representative and the Escrow Agent shall have executed the Escrow Agreement and each such Agreement shall be in full force and effect.

5.08. Closing Deliveries. The Buyer shall have received at or prior to the Closing such documents, instruments or certificates as the Buyer may reasonably request including, without limitation:

- (a) the stock certificates representing the Shares duly endorsed;
- (b) such certificates of the Company's officers and of the Stockholders and such other documents evidencing satisfaction of the conditions specified in this Section 5 as the Buyer shall reasonably request;
- (c) a certificate of the Secretary of State of the State of Texas as to the legal existence of the Company and a certificate of the Comptroller of Public Accounts of the State of Texas as to the tax good standing in the State of Texas;

(d) certificates of the Secretary of the Company attesting to the incumbency of the Company's officers, the authenticity of the resolutions authorizing the transactions contemplated by this Agreement, and the authenticity and continuing validity of the charter documents delivered pursuant to Section 3.01;

(e) where required by the applicable Lease, estoppel certificates from each lessor from whom the Company leases real or personal property consenting to the acquisition of the Shares by the Buyer and the other transactions contemplated hereby and representing that there are no outstanding claims against the Company under such Lease;

(f) where required by the applicable Lease, estoppel certificates from each tenant to whom the Company leases real property consenting to the acquisition of the Shares by the Buyer and the other transactions contemplated hereby, and representing that there are no outstanding claims against the Company under such Lease;

(g) written resignations of all members of the Company's Board of Directors and, as requested by the Buyer, corporate officers;

(h) the original corporate minute books of the Company and all corporate seals; and

(i) a cross receipt executed by the Buyer and the Stockholders.

6. Conditions to Obligations of the Stockholders.

The obligations of the Stockholders under this Agreement are subject to the fulfillment, at the Closing Date, of the following conditions precedent, each of which may be waived in writing in the sole discretion of the Stockholders' Representative:

6.01. Continued Truth of Representations and Warranties of the Buyer; Compliance with Covenants and Obligations. The representations and warranties of the Buyer in this Agreement shall be true and correct in all material respects (except for representations and warranties that are qualified by materiality, which shall be true and correct in all respects) on and as of the Closing Date as though such representations and warranties were made on and as of such date (except for representations and warranties that speak as of a certain date which shall be true and correct in all material respects (except for representations and warranties that are qualified by materiality, which shall be true and correct in all respects) as of such date), except for any changes consented to in writing by the Stockholders' Representative. The Buyer shall have performed and complied with all terms, conditions, covenants, obligations, agreements and restrictions required by this Agreement to be performed or complied with by it prior to or at the Closing Date.

6.02. Corporate Proceedings. All corporate and other proceedings required to be taken on the part of the Buyer to authorize or carry out this Agreement shall have been taken.

6.03. Governmental Approvals. All Governmental Entities, the consent, authorization or approval of which is necessary under any applicable law, rule, order or regulation for the consummation by the Buyer of the transactions contemplated by this Agreement shall have consented to, authorized, permitted or approved such transactions.

6.04. Adverse Proceedings. No action or proceeding by or before any court or other Governmental Entity shall have been instituted or threatened by any Governmental Entity or person

whatsoever which shall seek to restrain, prohibit or invalidate the transactions contemplated by this Agreement or which might affect the right of the Stockholders to transfer the Shares.

6.05. Escrow Agreements. The Buyer, the Johnson Escrow Agent and Robert Johnson shall have executed the Johnson Escrow Agreement and the Buyer, the Stockholders, the Stockholders' Representative and the Escrow Agent shall have executed the Escrow Agreement and each such Agreement shall be in full force and effect.

6.06. Closing Deliveries. The Stockholders shall have received at or prior to the Closing such documents, instruments or certificates as the Stockholders may reasonably request including, without limitation:

(a) such certificates of the Buyer's officers and such other documents evidencing satisfaction of the conditions specified in this Section 6 as the Stockholders' Representative shall reasonably request;

(b) a certificate of the Secretary of State of the State of Delaware as to the legal existence and good standing of the Buyer in Delaware;

(c) a certificate of the Secretary of the Buyer attesting to the incumbency of the Buyer's officers, the authenticity of the resolutions authorizing the transactions contemplated by this Agreement, and the authenticity and continuing validity of the charter documents and by-laws delivered pursuant to Section 4.01;

(d) payment of the Purchase Price in accordance with Section 1.03(b); and

(e) a cross receipt executed by the Buyer and the Stockholders.

7. Indemnification.

7.01. By the Stockholders and the Company.

(a) Each Stockholder, severally and not jointly, hereby indemnifies and holds harmless the Buyer and the Company from and against all claims, damages, losses, liabilities, costs and expenses (including, without limitation, settlement costs and any legal, accounting or other expenses for investigating or defending any actions or threatened actions) (less the proceeds from insurance actually received by the Buyer) (collectively, the "Losses") in connection with each and all of the following:

(i) any misrepresentation or breach of any representation or warranty made by such Stockholder in Section 2 of this Agreement; and

(ii) any failure of such Stockholder to have good, valid and marketable title to the issued and outstanding Shares issued in the name of such Stockholder, and to have transferred all such Shares to the Buyer, free and clear of all claims, liens and other encumbrances.

(b) The Stockholders (including, without limitation, Mike Myers and Richard Gibson), jointly and severally, hereby indemnify and hold harmless the Buyer and the Company from and against all Losses in connection with each and all of the following:

(i) any misrepresentation or breach of any representation or warranty made by the Stockholders or the Company in this Agreement (other than misrepresentations or breaches of any representation or warranty in Section 2 of this Agreement);

(ii) any breach of any covenant, agreement or obligation of the Stockholders or the Company contained in this Agreement or any other agreement, instrument or document contemplated by this Agreement;

(iii) any misrepresentation contained in any statement, certificate or schedule furnished by the Stockholders or the Company pursuant to this Agreement or in connection with the transactions contemplated by this Agreement;

(iv) any claim by a stockholder or former stockholder of the Company, or any other person or entity, asserting, seeking to assert, or based upon: (i) ownership or rights to ownership of any shares of capital stock or other equity interest of the Company; (ii) any rights of a stockholder of the Company, including any option, preemptive rights or rights to notice or to vote; (iii) any rights under the Articles of Incorporation or Bylaws of the Company; or (iv) any claim that his, her or its shares were wrongfully repurchased by the Company;

(v) any violation by the Company of, or any failure by the Company to comply with, any law, ruling, order, decree, regulation or zoning, environmental or permit requirement applicable to the Company, its assets or its business, whether or not any such violation or failure to comply has been disclosed to the Buyer, including any costs incurred by the Buyer in order to bring the Company into compliance with environmental laws as a consequence of noncompliance with such laws on the Closing Date;

(vi) any failure by the Company to have been duly qualified to do business in any State;

(vii) any claims against, or liabilities or obligations of, the Company with respect to obligations under Company Plans not specifically assumed by the Buyer pursuant to this Agreement;

(viii) if the actual balances in the Company's bank accounts at the open of business on the date hereof are less than \$500,000 in the aggregate, the Buyer shall be entitled to Damages in an amount equal to the amount by which such actual aggregate amount is less than the aggregate amount set forth on the certificate delivered by the Stockholders' Representative pursuant to Section 1.03(b)(vi);

(ix) any liability pursuant to any warranty, including any implied warranty, provided with any product or service sold, distributed or licensed prior to the Closing by the Company, to the extent such warranty was not explicitly set forth in writing in a written agreement, contract or purchase order, which has been provided to the Buyer, for the sale, distribution or licensing of such product or service;

(x) any liability under any agreement, contract or purchase order, whether written or oral, for the sale, distribution or licensing of any product or service sold, distributed or licensed prior to the Closing by the Company to the extent (1) such liability exceeds the amounts paid or payable by the applicable end user or customer for such product or service or (2) such liabilities relate to special, incidental, punitive, indirect or consequential damages, or for loss of data or loss of use damages or lost profits;

(xi) any Damages relating to any express or implied assignment or sublicense of Company Intellectual Property by any end user or customer to whom the Company has licensed, including by means of any implied license, such Company Intellectual Property, other than as expressly permitted in writing under a written agreement, contract or purchase order, which has been provided to the Buyer, with such end user or customer; and

(xii) any Damages relating to any non-compliance by any end user or customer with respect to the export control laws and regulations of the United States with respect to any product sold, distributed or licensed prior to the Closing by the Company.

7.02. Claims for Indemnification. Whenever any claim shall arise for indemnification under this Section 7, the Buyer or the Company, as the case may be, seeking indemnification (the "Indemnified Party"), shall promptly notify the Stockholders' Representative of the claim and, when known, the facts constituting the basis for such claim (a "Claim Notice"); provided, however, that no delay or failure on the part of the Indemnified Party in so notifying the Stockholders' Representative shall relieve the Stockholders of any liability or obligation hereunder except to the extent of any damage or liability caused by such failure. In the event of any such claim for indemnification hereunder resulting from or in connection with any claim or legal proceedings by a third party, the notice shall specify, if known, the amount or an estimate of the amount of the liability arising therefrom. The Indemnified Party shall not settle or compromise any claim by a third party for which it is entitled to indemnification hereunder without the prior written consent, which shall not be unreasonably withheld or delayed, of the Stockholders' Representative, who shall have the power and authority to bind all of the Stockholders; provided, however, that if suit shall have been instituted against the Indemnified Party and the Stockholders shall not have assumed and taken control of the defense of such suit after notification thereof as provided in Section 7.03 of this Agreement, the Indemnified Party shall have the right to settle or compromise such claim upon giving notice to the Stockholders as provided in Section 7.03.

7.03. Defense by the Stockholders. In connection with any claim which may give rise to indemnity hereunder resulting from or arising out of any claim or legal proceeding by a person other than the Indemnified Party, the Stockholders, at the sole cost and expense of the Stockholders, may, upon written notice to the Indemnified Party given within 20 days of receiving a Claim Notice with respect to such claim, assume the defense of any such claim or legal proceeding if (i) all of the Stockholders acknowledge to the Indemnified Party in writing the obligation of the Stockholders to indemnify the Indemnified Party with respect to all elements of such claim, (ii) such claim or proceeding does not involve criminal liability and (iii) equitable relief is not sought against the Indemnified Party. If the Stockholders assume the defense of any such claim or legal proceeding, the Stockholders shall select a single counsel reasonably acceptable to the Indemnified Party to conduct the defense of such claims or legal proceedings and at the sole cost and expense of the Stockholders shall take all steps necessary in the defense or settlement thereof. The Stockholders shall not consent to a settlement of, or the entry of any judgment arising from, any such claim or legal proceeding, without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed). The Indemnified Party shall be entitled to participate in (but not control) the defense of any such action, with its own counsel and at its own expense. If the Stockholders do not assume the defense of any such claim or litigation resulting therefrom within 20 days after the date of the Claim Notice with respect to such claim: (a) the Indemnified Party may defend against such claim or litigation in such manner as it may deem appropriate, including, but not limited to, settling such claim or litigation, after giving notice of the same to the Stockholders' Representative, on such terms as the Indemnified Party may deem appropriate, and (b) the Stockholders shall be entitled to participate in (but not control) the defense of such action, with a single counsel and at their own expense.

7.04. Payment of Indemnification Obligation.

(a) If the Indemnified Party is seeking to enforce such claim pursuant to the Escrow Agreement, the Indemnified Party shall deliver a copy of the Claim Notice to the Escrow Agent. Within 20 days after delivery of a Claim Notice, the Stockholders' Representative shall deliver to the Indemnified Party a written response (a "Response"), in which the Stockholders' Representative (on behalf of all of the Stockholders, which determination shall be final and binding on all Stockholders) shall: (i) agree that the Indemnified Party is entitled to receive all of the Losses relating to such claim (the "Claimed Amount") (in which case the Response shall be accompanied by a payment by the Stockholders to the Indemnified Party of the Claimed Amount, by check or by wire transfer; provided that if the Indemnified Party is seeking to enforce such claim pursuant to the Escrow Agreement, the Stockholders' Representative and the Indemnified Party shall deliver to the Escrow Agent, within three days following the delivery of the Response, a written notice executed by the Buyer and the Stockholders' Representative instructing the Escrow Agent to pay to the Buyer an amount out of the Reserve Account equal to the Claimed Amount), (ii) agree that the Indemnified Party is entitled to receive part, but not all, of the Claimed Amount (the "Agreed Amount") (in which case the Response shall be accompanied by a payment by the Stockholders to the Indemnified Party of the Agreed Amount, by check or by wire transfer; provided that if the Indemnified Party is seeking to enforce such claim pursuant to the Escrow Agreement, the Stockholders' Representative and the Indemnified Party shall deliver to the Escrow Agent, within three days following the delivery of the Response, a written notice executed by the Buyer and the Stockholders' Representative instructing the Escrow Agent to pay to the Buyer an amount out of the Reserve Account equal to the Agreed Amount) or (iii) dispute that the Indemnified Party is entitled to receive any of the Claimed Amount.

(b) If the Indemnified Party is seeking to enforce a claim that is the subject of a dispute pursuant to the Escrow Agreement, the Stockholders' Representative and the Indemnified Party shall deliver to the Escrow Agent, promptly following the resolution of the dispute (whether by mutual agreement, arbitration, judicial decision or otherwise), a written notice executed by the Buyer and the Stockholders' Representative instructing the Escrow Agent as to what (if any) amount of the Reserve Account shall be paid to the Indemnified Party (which notice shall be consistent with the terms of the resolution of the dispute).

(c) The Stockholders' Representative shall have full power and authority on behalf of each Stockholder to take any and all actions on behalf of, execute any and all instruments on behalf of, and execute or waive any and all rights of, the Stockholders under this Section 7. The Stockholders' Representative shall have no liability to any Stockholder for any action taken or omitted on behalf of the Stockholders pursuant to this Agreement.

7.05. Survival of Representations and Warranties/Limitations.

(a) All representations and warranties of the Stockholders and the Company in this Agreement (a) shall survive the Closing and (b) shall expire on the date 18 months following the Closing Date, except that (i) the representations and warranties set forth in Section 2 and Sections 3.02 and 3.04 shall survive the Closing without limitation and (ii) the representations and warranties set forth in Sections 3.15, 3.18 and 3.20 shall survive until 30 days following expiration of all statutes of limitation applicable to the matters referred to therein. If an Indemnified Party delivers to the Stockholders' Representative, before expiration of a representation or warranty, a Claim Notice based upon a breach of such representation or warranty, then the applicable representation or warranty shall survive until, but only for purposes of, the resolution of the matter covered by such notice. The rights to indemnification set forth in this Section 7 shall not be affected by (i) any investigation conducted by or on behalf of an Indemnified Party or any knowledge acquired (or capable of being acquired) by an Indemnified Party, whether before or after the date of this Agreement or the Closing Date, with respect to the inaccuracy or noncompliance with any representation, warranty, covenant or obligation which is the subject of

indemnification hereunder or (ii) any waiver by an Indemnified Party of any closing condition relating to the accuracy of representations and warranties or the performance of or compliance with agreements and covenants.

(b) The Escrow Agreement is intended to secure the indemnification obligations of the Stockholders under this Agreement. However, the rights of the Buyer under this Section 7 (except as set forth in clause (ii) of Section 7.05(c) below) shall not be limited to the amounts held in the Reserve Account nor shall the Escrow Agreement be the exclusive means for the Buyer to enforce such rights; provided that the Buyer shall not attempt to collect any Losses directly from the Stockholders unless there are no remaining amounts held in the Reserve Account pursuant to the Escrow Agreement.

(c) No Stockholder shall be liable for an indemnity claim under Section 7.01(a) relating to Shares held by another Stockholder. Except with respect to claims based on fraud and with respect to indemnification matters covered by Section 9, (i) the Stockholders shall have no liability for any claims under Section 7.01(b)(i) unless the aggregate amount of all such claims totals \$100,000 (at which point the Stockholders shall become liable for the aggregate Losses under Sections 7.01(b)(i) and not just amounts in excess of \$100,000), (ii) the maximum aggregate liability of the Stockholders with respect to claims made under Sections 7.01(b)(i) (other than claims based upon a breach of a representation contained in Sections 3.01 through 3.07, 3.10, 3.15, 3.17 or 3.18, which shall be limited to the Purchase Price in accordance with clause (iii) below), shall not exceed 15% of the Purchase Price, which claims, during the eighteen month period following the Closing, shall only be made against the Reserve Account, (iii) the maximum aggregate liability of the Stockholders under this Section 7 shall not exceed the Purchase Price and (iv) the maximum liability of any individual Stockholder under this Section 7 shall not exceed the amount of the Purchase Price paid to such Stockholder.

(d) No Stockholder shall have any right of contribution against the Company with respect to any breach by the Company of any of its representations, warranties, covenants or agreements.

7.06. Treatment of Indemnity Payments. Any payments made to an Indemnified Party pursuant to this Section 7, pursuant to Section 9, or pursuant to the Escrow Agreement shall be treated as an adjustment to the Purchase Price for tax purposes.

8. Post-Closing Agreements.

The Stockholders agree that from and after the Closing Date:

8.01. Proprietary Information.

(a) Each of the Stockholders shall hold in confidence all knowledge and information of a secret or confidential nature with respect to the business of the Company and not to disclose, publish or make use of the same without the consent of the Buyer, except to the extent that such information shall have become public knowledge other than by breach of this Agreement by the Stockholders.

(b) Each Stockholder agrees that the remedy at law for any breach of this Section 8.01 would be inadequate and that the Buyer shall be entitled to injunctive relief in addition to any other remedy it may have upon breach of any provision of this Section 8.01.

8.02. No Solicitation or Hiring of Employees. Except as provided by law, for a period of eighteen months after the Closing Date, no Stockholder thereof shall (a) solicit any person who was an employee of either the Company on the date hereof or the Closing Date to terminate his employment with the Buyer (or the Company or other subsidiary of the Buyer, as the case may be) or to become an

employee of such Stockholder or any other person or entity, or (b) hire any person who was such an employee on the date hereof or on the Closing Date.

8.03. Non-Competition Agreement.

(a) For a period of eighteen months after the Closing Date, each of Robert Johnson, Emery Johnson, Robert Myers and R.J. Pipes (the "Restricted Parties") shall not, except as an officer or employee of the Company: (i) develop, manufacture, market, license or sell any product or service which competes with any existing or proposed product or service developed, manufactured, marketed, licensed or sold by the Company on or prior to the Closing Date, or (ii) engage in any business competitive with the business of the Company as conducted on the date hereof, in either case, in the United States or any other country in which the Company conducted its business during the two years prior to the Closing Date.

(b) The Restricted Parties agree that the duration and geographic scope of the non-competition provision set forth in this Section 8.03 are reasonable. In the event that any court of competent jurisdiction determines that the duration or the geographic scope, or both, are unreasonable and that such provision is to that extent unenforceable, the Restricted Parties, the Buyer and the Company agree that the provision shall remain in full force and effect for the greatest time period and in the greatest area that would not render it unenforceable. The Restricted Parties, the Buyer and the Company intend that this non-competition provision shall be deemed to be a series of separate covenants, one for each and every county of each and every state of the United States of America and each and every political subdivision of each and every country outside the United States of America where this provision is intended to be effective. Each of the Restricted Parties agrees that damages are an inadequate remedy for any breach of this provision and that the Buyer shall, whether or not it is pursuing any potential remedies at law, be entitled to equitable relief in the form of preliminary and permanent injunctions without bond or other security upon any actual or threatened breach of this non-competition provision.

9. Tax Matters.

9.01. Preparation and Filing of Tax Returns; Payment of Taxes.

(a) The Stockholders shall prepare and timely file or shall cause to be prepared and timely filed (i) all Tax Returns for any Income Taxes of the Company for all taxable periods that end on or before the Closing Date including a Form 1120S for the period from January 1, 2006 through the day before the Closing Date, which an officer of the Company shall promptly sign, and (ii) all other Tax Returns of the Company is required to be filed (taking into account extensions) prior to the Closing Date. The Stockholders shall make or cause to be made all payments required with respect to any such Tax Returns. The Buyer shall promptly reimburse the Stockholders for the amount of any such Taxes paid by the Stockholders to the extent such Taxes are attributable (as determined under Section 9.03 hereof) to periods following the Closing Date, other than payroll taxes for the period after March 31, 2006.

(b) The Buyer shall prepare and timely file or shall cause to be prepared and timely filed all other Tax Returns for the Company. The Buyer shall make all payments required with respect to any such Tax Returns; provided, however, that the Stockholders shall promptly reimburse the Buyer to the extent any payment the Buyer is required to make relates to the operations of the Company for any period ending (or deemed pursuant to Section 9.03(b) to end) on or before the Closing Date.

(c) Any Tax Return to be prepared and filed for taxable periods beginning before the Closing Date and ending after the Closing Date shall be prepared on a basis consistent with the last previous similar Tax Return; provided that the parties acknowledge that the transactions contemplated by

this Agreement will have the effect of revoking the Company's S-election. The Buyer shall provide the Stockholders with a copy of each proposed Tax Return (and such additional information regarding such Tax Return as may reasonably be requested by the Stockholders) at least 20 days prior to the filing of such Tax Return.

(d) The Stockholders shall be responsible for the payment of any transfer, sales, use, stamp, conveyance, value added, recording, registration, documentary, filing and other non-Income Taxes and administrative fees (including, without limitation, notary fees) arising in connection with the consummation of the transactions contemplated by this Agreement.

(e) The parties agree not to make an election under Section 338 of the Code.

9.02. Tax Indemnification.

(a) The Stockholders shall indemnify and hold harmless the Buyer and the Company in respect of and against (i) Losses resulting from, relating to, or constituting a breach of any representation contained in Section 3.15 hereof, (ii) Losses resulting from, relating to, or constituting any failure to perform any covenant or agreement set forth in this Section 9, and (iii) without duplication, the following Taxes:

(i) Any Taxes for any taxable period ending (or deemed pursuant to Section 9.03(b) to end) on or before the Closing Date due and payable by the Company, other than payroll taxes for period after March 31, 2006;

(ii) Any Taxes for any taxable period ending (or deemed pursuant to Section 9.03(b) to end) on or before the Closing Date for which the Company has any liability under Treasury Regulations Section 1.1502-6 or under any comparable or similar provision of state, local or foreign laws, as a transferee or successor, or pursuant to any contractual obligation; and

(iii) Any transfer, sales, use, stamp, conveyance, value added, recording, registration, documentary, filing and other non-Income Taxes and administrative fees (including, without limitation, notary fees) arising in connection with the consummation of the transactions contemplated by this Agreement whether levied on the Buyer, the Stockholders, the Company or any of their respective affiliates.

9.03. Allocation of Certain Taxes.

(a) The Buyer and the Stockholders agree that if Company is permitted but not required under applicable foreign, state or local Tax laws to treat the Closing Date as the last day of a taxable period, the Buyer and the Stockholders shall treat such day as the last day of a taxable period.

(b) Any Taxes for a taxable period beginning before and ending after the Closing Date shall be paid by the Buyer or its affiliates and the portion of any such Taxes allocable to the portion of such period ending on the Closing Date shall be deemed to equal (i) in the case of Taxes that (1) are based upon or related to income or receipts or (2) imposed in connection with any sale or other transfer or assignment of property, other than Taxes described in Section 9.01(d), the amount which would be payable if the taxable year ended with the Closing Date, and (ii) in the case of other Taxes imposed on a periodic basis (including property Taxes), the amount of such Taxes for the entire period multiplied by a fraction the numerator of which is the number of calendar days in the period ending with the Closing Date and the denominator of which is the number of calendar days in the entire period. For purposes of the

provisions of Section 9.01, each portion of such period shall be deemed to be a taxable period (whether or not it is in fact a taxable period).

(c) If the Company is entitled to a refund or credit of Income Taxes for any period ending prior to the Closing Date that is attributable to the carryback of losses, credits or similar items of the Company from any period beginning after the Closing Date and if the refund or credit is paid to the Stockholders, the Stockholders shall pay to the Buyer the amount of such refund or credit promptly after receipt, together with any interest or other amount received in connection therewith.

(d) Notwithstanding anything to the contrary in this Agreement, the Buyer and the Stockholders acknowledge and agree that the operations of the Company on the Closing Date shall be included in the consolidated federal Income Tax return of the Buyer and that the Stockholders and the Buyer shall not cause the Company to engage in any transaction on the Closing Date which is not in the ordinary course of business or take any action that results in taxable income for the Company for federal income tax purposes in excess of what it would have been if the Company were operated in the ordinary course of business on the Closing Date or such action had not been taken.

9.04. Cooperation on Tax Matters; Tax Audits.

(a) The Buyer and the Stockholders shall cooperate in the preparation of all Tax Returns for any Tax periods for which one party could reasonably require the assistance of the other party in obtaining any necessary information. Such cooperation shall include, but not be limited to, furnishing prior years' Tax Returns or return preparation packages to the extent related to the Company illustrating previous reporting practices or containing historical information relevant to the preparation of such Tax Returns, and furnishing such other information within such party's possession requested by the party filing such Tax Returns as is relevant to their preparation. Such cooperation and information also shall include without limitation provision of powers of attorney for the purpose of signing Tax Returns and defending audits and promptly forwarding copies of appropriate notices and forms or other communications received from or sent to any Taxing Authority which relate to the Company, and providing copies of all relevant Tax Returns to the extent related to the Company, together with accompanying schedules and related workpapers, documents relating to rulings or other determinations by any Taxing Authority and records concerning the ownership and Tax basis of property, which the requested party may possess. The Buyer and the Stockholders shall make their respective employees and facilities available on a mutually convenient basis to explain any documents or information provided hereunder.

(b) The Stockholders shall have the right, at their own expense, to control any Tax Audit, initiate any claim for refund, contest, resolve and defend against any assessment, notice of deficiency, or other adjustment or proposed adjustment relating to any and all Taxes for any taxable period ending on or before the Closing Date with respect to the Company. The Buyer shall have the right, at its own expense, to control any other Tax Audit, initiate any other claim for refund, and contest, resolve and defend against any other assessment, notice of deficiency, or other adjustment or proposed adjustment relating to Taxes with respect to the Company; provided that, with respect to (i) any state, local or foreign Taxes for any taxable period beginning before the Closing Date and ending after the Closing Date and (ii) any item the adjustment of which may cause the Stockholders to become obligated to make any payment pursuant to Section 9.01(a) hereof, the Buyer shall consult with the Stockholders' Representative with respect to the resolution of any issue that would affect the Stockholders Representative, and not settle any such issue, or file any amended Tax Return relating to such issue, without the consent of the Stockholders' Representative. Where consent to a settlement is withheld by the Stockholders pursuant to this Section 9.04(b), the Stockholders may continue or initiate any further proceedings at their own

expense, provided that any liability of the Buyer, after giving effect to this Agreement, shall not exceed the liability that would have resulted had the Stockholders not withheld their consent.

9.05. Termination of Tax Sharing Agreements. All Tax sharing agreements or similar arrangements with respect to or involving the Company shall be terminated prior to the Closing Date and, after the Closing Date, the Buyer and its affiliates shall not be bound thereby or have any liability thereunder for amounts due in respect of periods ending on or before the Closing Date.

9.06. Scope of Section 9. Any claim by any party relating to a breach by another party of its obligations under this Section 9 shall be pursued in accordance with the procedures for indemnification claims, and shall otherwise be subject to the terms and conditions, set forth in Section 7. Notwithstanding the foregoing or any other term or condition of Section 7, (i) claims for a breach of an obligation under this Section 9 may be made by a party at any time prior to the 60th day after the expiration of the statute of limitations applicable to the Tax matter to which the claim relates and (ii) to the extent there is any inconsistency between the terms of Section 7 and this Section 9 with respect to the allocation of responsibility between the Stockholders and the Buyer for Taxes relating to the Company, the provisions of this Section 9 shall govern.

10. Brokers.

10.01. For the Stockholders and the Company. Each of the Stockholders represents and warrants that, no person, firm or corporation, other than Pagemill Partners LLC, has acted in the capacity of broker or finder on its behalf or on behalf of the Company to bring about the negotiation of this Agreement. The Stockholders acknowledge and agree that all fees and expenses payable to Pagemill Partners LLC in connection with transactions contemplated hereby shall be paid by the Stockholders pro rata based on number of shares of Common Stock owned by each such Stockholder immediately prior to the Closing as set forth on Schedule I. The Stockholders jointly and severally agree to indemnify and hold harmless the Buyer and the Company against any claims or liabilities asserted against it by any person acting or claiming to act as a broker or finder on behalf of the Stockholders or the Company.

10.02. For the Buyer. The Buyer agrees to pay all fees, expenses and compensation owed to any person, firm or corporation who has acted in the capacity of broker or finder on its behalf to bring about the negotiation of this Agreement. The Buyer agrees to indemnify and hold harmless the Stockholders against any claims or liabilities asserted against it by any person acting or claiming to act as a broker or finder on behalf of the Buyer.

11. Notices.

Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or sent by Federal Express or other courier or registered or certified mail, postage prepaid, addressed as follows or to such other address of which the parties may have given notice:

To the Buyer:

Avid Technology, Inc.
Avid Technology Park
One Park West
Tewksbury, MA 01876
Attn: General Counsel

With a copy to: Wilmer Cutler Pickering Hale and Dorr LLP
1100 Winter Street
Suite 4650
Waltham, MA 02451
Attn: Michael D. Bain, Esq.

To the Stockholders: To the addresses set forth on Schedule I attached hereto
or to such other address specified in writing by the
applicable Stockholder.

With a copy to: John C. Andrews, Esq.
Andrews Barth & Harrison, PC
8235 Douglas Avenue, Suite 1120
Dallas, TX 75225

Unless otherwise specified herein, such notices or other communications shall be deemed received (a) on the date delivered, if delivered personally or by courier, or (b) three business days after being sent, if sent by registered or certified mail.

12. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Buyer, on the one hand, and the Stockholders and the Company, on the other hand, may not assign their respective obligations hereunder without the prior written consent of the other party; provided, however, that the Buyer may assign this Agreement, and its rights and obligations hereunder, to a subsidiary or affiliate of the Buyer. Any assignment in contravention of this provision shall be void. No assignment shall release the Buyer, the Stockholders or the Company from any obligation or liability under this Agreement.

13. Entire Agreement; Amendments; Attachments.

(a) This Agreement, all Schedules and Exhibits hereto, and all agreements and instruments to be delivered by the parties pursuant hereto represent the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersede all prior oral and written and all contemporaneous oral negotiations, commitments and understandings between such parties with respect to such subject matter. The Buyer, by the consent of its Board of Directors or officers authorized by such Board, and the holders of a majority of the Shares (who shall have the authority to bind all of the Stockholders) may amend or modify this Agreement, in such manner as may be agreed upon, by a written instrument executed by the Buyer and such holders.

(b) If the provisions of any Schedule or Exhibit to this Agreement are inconsistent with the provisions of this Agreement, the provisions of the Agreement shall prevail. The Exhibits and Schedules attached hereto or to be attached hereafter are hereby incorporated as integral parts of this Agreement.

14. Severability.

Any provision of this Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provision of this Agreement invalid, illegal or unenforceable in any other jurisdiction.

15. Press Releases and Announcements. The Stockholders shall not issue any press release or public announcement relating to the subject matter of this Agreement without the prior written approval of the Buyer. The Buyer shall provide the Stockholders' Representative with an advance copy of any proposed press release or public announcement relating to the subject matter of this Agreement.

16. Investigation of the Parties.

All representations and warranties contained herein which are made to the best knowledge of a party shall require that such party (other than Michael Myers and Richard Gibson) make reasonable investigation and inquiry with respect thereto to ascertain the correctness and validity thereof.

17. Expenses.

Except as otherwise expressly provided herein, the Buyer, on the one hand, and the Stockholders, jointly and severally, on the other hand, will pay all fees and expenses (including, without limitation, legal and accounting fees and expenses) incurred by them, and the Stockholders, jointly and severally, will pay all fees and expenses (including legal and accounting fees and expenses) incurred by the Company, in connection with the transactions contemplated hereby; provided that, prior to the Closing, the Company shall pay up to \$10,000 in such legal fees and expenses of the Stockholders. Except as set forth in the preceding sentence, in no event will any of the fees or expenses incurred in connection with this transaction by the Stockholders, including, without limitation, the fees and expenses of counsel to the Stockholders, be billed to or paid by the Company.

18. Withholding Taxes. The Buyer and the Escrow Agent shall be entitled to deduct and withhold from the consideration otherwise payable to a Stockholder pursuant to this Agreement such amounts as it reasonably determines are required to be withheld under the Code or any other applicable provision of federal, state, local or foreign Tax law, and to collect IRS Forms W-8 or W-9, as applicable, or similar information from the Stockholders and any other recipients of payments hereunder. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Stockholder in respect of which such withholding was made.

19. Legal Fees.

In the event that legal proceedings are commenced by the Buyer against the Stockholders, or by the Stockholders against the Buyer, in connection with this Agreement or the transactions contemplated hereby, the party or parties which do not prevail in such proceedings shall pay the reasonable attorneys' fees and other costs and expenses, including investigation costs, incurred by the prevailing party in such proceedings.

20. Governing Law.

This Agreement, and all issues and matters relating hereto, shall be governed by, enforced under, and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any

other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of Delaware.

21. Submission to Jurisdiction.

Each party hereto (a) submits to the jurisdiction of any state or federal court sitting in the State of Delaware in any action or proceeding arising out of or relating to this Agreement (including any action or proceeding for the enforcement of any arbitral award made in connection with any arbitration of a dispute hereunder), (b) agrees that all claims in respect of such action or proceeding may be heard and determined in any such court, (c) waives any claim of inconvenient forum or other challenge to venue in such court, (d) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court and (e) waives any right it may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement.

22. Section Headings.

The section headings are for the convenience of the parties and in no way alter, modify, amend, limit, or restrict the contractual obligations of the parties.

23. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be one and the same document.

24. Definitions.

“Accountant” shall mean an accountant, generally a member of the dispute resolution group, at a mutually agreed accounting firm; provided that the Buyer and the Stockholders’ Representative agree to use good faith to agree on a mutually agreeable accounting firm and that such firm shall not have a material pre-existing relationship with either the Buyer or the Stockholders’ Representative.

“Closing” shall mean the closing of the transactions contemplated by this Agreement.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Company Intellectual Property” shall mean the Intellectual Property owned by or licensed to the Company and covering, incorporated in, underlying or used in connection with the Customer Deliverables or the Internal Systems.

“Customer Deliverables” shall mean (A) the products that the Company (1) currently manufactures, markets, sells or licenses, or (2) has manufactured, marketed, sold or licensed within the previous three years, or (3) currently plans to manufacture, market, sell or license in the future and (B) the services that the Company (1) currently provides, or (2) has provided within the previous three years, or (3) currently plans to provide in the future.

“Environmental Law” shall mean any federal, state or local law, statute, rule, order, directive, judgment, Permit or regulation or the common law relating to the environment, occupational health and safety, or exposure of persons or property to Materials of Environmental Concern, including any statute, regulation, administrative decision or order pertaining to: (i) the presence of or the treatment, storage, disposal, generation, transportation, handling, distribution, manufacture, processing, use, import,

export, labeling, recycling, registration, investigation or remediation of Materials of Environmental Concern or documentation related to the foregoing; (ii) air, water and noise pollution; (iii) groundwater and soil contamination; (iv) the release, threatened release, or accidental release into the environment, the workplace or other areas of Materials of Environmental Concern, including emissions, discharges, injections, spills, escapes or dumping of Materials of Environmental Concern; (v) transfer of interests in or control of real property that may be contaminated; (vi) community or worker right-to-know disclosures with respect to Materials of Environmental Concern; (vii) the protection of wild life, marine life and wetlands, and endangered and threatened species; (viii) storage tanks, vessels, containers, abandoned or discarded barrels and other closed receptacles; and (ix) health and safety of employees and other persons. As used above, the term "release" shall have the meaning set forth in the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"Final Closing Balance Sheet" shall mean the balance sheet determined pursuant to the procedures set forth in Section 1.04.

"Financial Statements" shall mean:

(a) the audited consolidated balance sheets and statements of income, changes in stockholders' equity and cash flows of the Company as of the end of and for each of the two fiscal years ended as of December 31, 2005 and the unaudited consolidated balance sheets and statements of income, changes in stockholders' equity and cash flows of the Company as of and for the three months ended March 31, 2006; and

(b) the Most Recent Balance Sheet and the unaudited consolidated statements of income, changes in stockholders' equity and cash flows for the three months ended as of the Most Recent Balance Sheet Date.

"GAAP" shall mean United States generally accepted accounting principles.

"Governmental Entity" shall mean any court, arbitrational tribunal, administrative agency or commission or other governmental or regulatory authority or agency.

"Holdback Amount" shall mean \$500,000.

"Income Taxes" shall mean any Taxes imposed upon or measured by net income.

"Intellectual Property" shall mean all (A) patents, patent applications, patent disclosures and all related continuation, continuation-in-part, divisional, reissue, reexamination, utility model, certificate of invention and design patents, patent applications, registrations and applications for registrations; (B) trademarks, service marks, trade dress, Internet domain names, logos, trade names and corporate names and registrations and applications for registration thereof; (C) copyrights and registrations and applications for registration thereof; (D) mask works and registrations and applications for registration thereof; (E) computer software, data and documentation; (F) inventions, trade secrets and confidential business information, whether patentable or nonpatentable and whether or not reduced to practice, know-how, manufacturing and product processes and techniques, research and development information, copyrightable works, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information; (G) other proprietary rights relating to any of the foregoing (including remedies against infringements thereof and rights of protection of interest therein under the laws of all jurisdictions); and (H) copies and tangible embodiments thereof.

“Internal Systems” shall mean the internal systems of the Company that are used in its business or operations, including computer hardware systems, software applications and embedded systems.

“Materials of Environmental Concern” shall mean any: pollutants, contaminants or hazardous substances (as such terms are defined under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended), pesticides (as such term is defined under the Federal Insecticide, Fungicide and Rodenticide Act), solid wastes and hazardous wastes (as such terms are defined under the Resource Conservation and Recovery Act), chemicals, other hazardous, radioactive or toxic materials, oil, petroleum and petroleum products (and fractions thereof), or any other material (or article containing such material) listed or subject to regulation under any law, statute, rule, regulation, order, Permit, or directive due to its potential, directly or indirectly, to harm the environment or the health of humans or other living beings.

“Most Recent Balance Sheet” shall mean the unaudited consolidated balance sheet of the Company as of the Most Recent Balance Sheet Date.

“Most Recent Balance Sheet Date” shall mean March 31, 2006.

“NBV Deficit” shall have the meaning set forth in Section 1.04(c).

“Net Book Value” shall mean the total assets of the Company less the total liabilities of the Company.

“Objection Deadline Date” shall mean the date 15 days after delivery by Bruce Moore to the Stockholders’ Representative and the Buyer of the Draft Closing Balance Sheet.

“Open Source Materials” shall mean all software or other material that is distributed as “free software”, “open source software”, “public domain” or under a similar licensing or distribution model in which source code is distributed or made available, including without limitation the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), the BSD Licenses, the Artistic License, the Netscape Public License, Filezilla, the ActiveState License, the Sun Community Source License (SCSL) the Sun Industry Standards License (SISL) and the Apache License.

“Permits” shall mean all permits, licenses, registrations, certificates, orders, approvals, franchises, variances and similar rights issued by or obtained from any Governmental Entity (including those issued or required under Environmental Laws and those relating to the occupancy or use of owned or leased real property).

“Software” shall mean any of the software owned by the Company.

“Tax Audit” shall mean any audit or examination by any Taxing Authority.

“Tax Returns” shall mean any and all reports, returns, declarations, or statements relating to Taxes, including any schedule or attachment thereto and any related or supporting workpapers or information with respect to any of the foregoing, including any amendment thereof.

“Taxes” shall mean any and all taxes, charges, fees, levies or other similar assessments or liabilities in the nature of a tax, including, without limitation, income, gross receipts, ad valorem, premium, value-added, net worth, capital stock, capital gains, documentary, recapture, alternative or add-

on minimum, disability, estimated, registration, recording, excise, real property, personal property, sales, use, license, lease, service, service use, transfer, withholding, employment, unemployment, insurance, social security, business license, business organization, environmental, workers compensation, payroll, profits, severance, stamp, occupation, windfall profits, customs, duties, franchise and other taxes of any kind whatsoever imposed by the United States of America or any state, local or foreign government, or any agency or political subdivision thereof, and any interest, fines, penalties, assessments or additions to tax imposed with respect to such items or any contest or dispute thereof.

“Taxing Authority” shall mean a Governmental Entity responsible for the imposition or collection of Taxes.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of and on the date first above written.

BUYER:

AVED TECHNOLOGY, INC.

By:  _____

Title: VP & CHIEF FINANCIAL OFFICER

SUNDANCE DIGITAL, INC.

By: _____

Title: _____

STOCKHOLDERS:

Robert C. Johnson

Richard Gibson

Michael Myers

Emery Johnson

R.J. Pipes

Robert Myers

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of and on the date first above written.

BUYER:

AVID TECHNOLOGY, INC.

By: _____

Title: _____

SUNDANCE DIGITAL, INC.

By: Robert C. Johnson

Title: President

STOCKHOLDERS:

Robert C. Johnson
Robert C. Johnson

Richard Gibson
Richard Gibson By: R. Pipes
Attorney-in-Fact

Michael Myers
Michael Myers By: R. Pipes
Attorney-in-Fact

Emery Johnson
Emery Johnson

R.J. Pipes
R.J. Pipes

Robert Myers
Robert Myers

Schedule I

<u>Stockholder Name and Address</u>	<u>Shares Owned by Stockholder</u>	<u>Amount of Purchase Price to Be Distributed at Closing</u>	<u>Escrow Amount</u>	<u>Holdback Amount</u>	<u>Addition Amount to be Escrowed by Robert Johnson</u>	<u>Total Consideration</u>
Robert Johnson 4301 Greenbrier Drive Dallas, Texas 75225	40,000	\$3,232,203.39	\$635,593.22	\$169,491.53	\$200,000.00	\$4,237,288.14
Richard Gibson 2321 A Loop 281 West Longview, Texas 75604	31,200	\$2,677,118.64	\$495,762.71	\$132,203.39	--	\$3,305,084.75
Michael Myers 6310 Lemmon Avenue Suite 200 Dallas, Texas 75209	15,600	\$1,338,559.32	\$247,881.36	\$66,101.69	--	\$1,652,542.37
Emery Johnson 5711 Bordeaux Dallas, Texas 75209	14,040	\$1,204,703.39	\$223,093.22	\$59,491.53	--	\$1,487,288.14
R.J. Pipes 1909 Woodall Rodgers Freeway Suite 550 Dallas, Texas 75201	14,040	\$1,204,703.39	\$223,093.22	\$59,491.53	--	\$1,487,288.14
Robert Myers 6310 Lemmon Avenue Suite 200 Dallas, Texas 75209	3,120	\$267,711.86	\$49,576.27	\$13,220.34	--	\$330,508.47
TOTALS	118,000	\$9,924,999.91	\$1,875,000.00	\$500,000.00	\$200,000.00	\$12,500,000.00