

02-25-2003

Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) Tab settings



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

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

1. Name of conveying party(ies): Princeton Video Image, Inc.

2-19-03

- Individual(s), Association, General Partnership, Limited Partnership, Corporation-State, Other

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

3. Nature of conveyance:

- Assignment, Merger, Security Agreement, Change of Name, Other

Execution Date: 2/ /03

2. Name and address of receiving party(ies)

Name: Presencia en Medios, S.A. de C.V.

Internal Address:

Address:

Street Address: Palmas #735-206

City: Mexico State: DF Zip: 11000 Mexico

- Individual(s) citizenship, Association, General Partnership, Limited Partnership, Corporation-State, Other: Corporation - Mexico

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

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2538443, 2498563

Additional number(s) attached Yes No

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

Name: Richard J. Pinto, Esq.

Internal Address:

Smith, Stratton, Wise, Heher & Brennan, LLP

Street Address: 800 College Road East

City: Princeton State: NJ Zip: 08540

6. Total number of applications and registrations involved: 2

7. Total fee (37 CFR 3.41) \$ 65.00

- Enclosed, Authorized to be charged to deposit account

8. Deposit account number:

DO NOT USE THIS SPACE

9. Signature.

JAMES GREEN

Name of Person Signing

James Green

Signature

11 Feb/03

Date

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

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

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NOTE PURCHASE AND SECURITY AGREEMENT

THIS NOTE PURCHASE AND SECURITY AGREEMENT (this "*Agreement*") is dated as of February 18, 2003 and is made by and among Princeton Video Image, Inc., a Delaware corporation (the "*Seller*"), Presencia en Medios, S.A. de C.V., a Mexican corporation ("*Presencia*"), and PVI Holding, LLC, a Delaware limited liability company ("*PVI Holding*"), as a creditor to the Seller and as collateral agent.

1. Definitions. All capitalized terms used in this Agreement shall have the meanings assigned to them elsewhere in this Agreement or as specified below:

"*Agreement*" shall have the meaning set forth in the opening paragraph hereof.

"*Amended Presencia Warrant Certificates*" shall have the meaning set forth in Section 2.4(b)(iv).

"*Cablevision*" shall mean Cablevision Systems Corporation, the parent corporation of PVI Holding (as defined below).

"*Closing*" shall mean the closing of the sale to, and purchase by, the Purchasers of the Convertible Notes.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended.

"*Collateral*" shall mean all of the assets, rights and other property of the Seller, now existing or hereafter acquired, including, without limitation, the assets, rights and other property described in Schedule A attached hereto.

"*Collateral Agent*" shall mean PVI Holding, as collateral agent for the Purchasers under the Intercreditor Agreement.

"*Consultant Services Agreement*" shall mean that certain Consultant Services Agreement by and between the Seller, Presencia and Publicidad, dated as of September 20, 2001.

"*Convertible Debt*" shall mean the outstanding principal and accrued interest due under the Convertible Notes, including any renewals and extensions thereof.

"*Convertible Notes*" shall mean (i) the promissory note in the amount of \$1,500,000 executed and delivered by the Seller to the Purchaser at the First Closing (as hereinafter defined) and (ii) the promissory note(s), if any, in the aggregate amount of \$1,500,000 executed and delivered by the Seller to the Purchasers at the Second Closing (as hereinafter defined) in the form attached hereto as Annex A.

"*Election Notice*" shall mean a notice by Presencia to the Seller in which Presencia agrees that it or its designees will purchase \$1,500,000 of Convertible Notes at the Second Closing.

"*Event of Default*" shall have the meaning ascribed to it in the Convertible Notes.

"*Intercreditor Agreement*" shall have the meaning set forth in Section 2.4(a)(iv).

"*Material Adverse Effect*" shall mean, when used in connection with the Seller and its Subsidiaries (as defined below), any change or effect that, individually or in the aggregate with all other such changes or effects, would have a material adverse effect on the financial condition, properties, business, prospects or results of operations of the Seller and its Subsidiaries taken as a whole or materially impair the ability of the Seller to perform its obligations under this Agreement.

"*Ordinary Course of Business*" shall have the meaning set forth in Section 5.1.

"*Person*" shall mean and include an individual, a corporation, a partnership, a trust, an incorporated organization, a limited liability company, a joint stock corporation, a joint venture, a government or any department, agency or political subdivision thereof and any other entity.

"*Presence in Media*" shall mean Presence in Media, LLC, a Delaware limited liability company and the wholly owned subsidiary of Presencia.

"*Presencia Notes*" shall mean the promissory notes executed and delivered to Presencia by the Seller on January 24, 2003 and January 31, 2003.

"*Presencia Warrant Certificates*" shall mean the warrant certificates previously issued by the Seller to Presencia and to Presence in Media, including the Special Warrants.

"*Publicidad*" shall mean Publicidad Virtual, S.A. de C.V., the wholly-owned subsidiary of the Seller.

"*Purchase Price*" shall have the meaning set forth in Section 2.2.

"*Purchaser*" shall mean, (i) for purposes of the First Closing, Presencia, and (ii) for purposes of the Second Closing, Presencia and/or its designee(s) as specified in the Election Notice and approved by PVI Holding, such approval not to be unreasonably withheld or delayed.

"*Purchasers*" shall mean all persons who are now, or become, a Purchaser hereunder.

"*PVI Holding*" shall have the meaning set forth in the opening paragraph hereof

"*PVI Holding Note*" shall mean the convertible promissory note executed and delivered to PVI Holding by the Seller on June 25, 2002.

"*PVI Holding Note Purchase Agreement*" shall mean the Note Purchase and Security Agreement dated as of June 25, 2002, by and between the Seller and PVI Holding.

"*Reorganization Agreement*" shall mean the Reorganization Agreement dated December 28, 2000, as amended, by and among Presencia, Eduardo Sitt, David Sitt, Roberto Sonabend, Presence in Media, Virtual Advertisement, LLC, PVI LA, LLC, the Seller, and Princeton Video Image Latin America, LLC.

"*Revolution Company Operating Agreement*" shall mean the Revolution Company, LLC Operating Agreement dated January 24, 2001, by and among CBS Technology Corporation, Core Digital Technologies, Inc., and the Seller.

"*Secured Obligations*" shall have the meaning set forth in Section 3.1.

"*Securities Act*" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder, all as the same shall be in effect from time to time.

"*Seller*" shall have the meaning set forth in the opening paragraph hereof.

"*Seller's Board*" shall mean the Seller's board of directors.

"*Special Warrants*" shall mean (i) the warrants to purchase 133 and 5,316 shares of the Seller's common stock that were previously issued to Presencia by the Seller and expired on April 3, 2002 and December 16, 2002, respectively, and (ii) the warrants to purchase 2,525 and 101,013 shares of the Seller's common stock that were previously issued to Presence in Media by the Seller and expired on April 3, 2002 and December 16, 2002, respectively.

"*Stock Purchase Agreement*" shall mean the Stock and Warrant Purchase Agreement dated February 4, 2001, by and between the Seller and PVI Holding.

"*Subsidiary*" and "*Subsidiaries*" shall mean an entity or entities in which the Seller owns or controls, directly or indirectly, the majority of voting power.

"*Transaction Documents*" shall mean this Agreement, the Convertible Notes, the Amended Presencia Warrant Certificates, the Intercreditor Agreement, and any other amendment, agreement or instrument to be entered into in connection with the transactions contemplated by this Agreement and said other agreements, including without limitation those documents to be delivered pursuant to Section 2.4 hereof

"*Transfer Restrictions*" shall have the meaning set forth on Schedule A hereto.

"*UCC*" shall have the meaning set forth in Section 6.1.

2. Sale and Purchase of Convertible Notes.

2.1 Agreement to Purchase and Sell. Upon the terms and subject to the conditions set forth in this Agreement and upon the representations and warranties made herein,

the Seller agrees to sell to the Purchasers, and the Purchasers agree to purchase from the Seller, the Convertible Notes, provided, however, that the Purchasers shall have no obligation to purchase, and shall not otherwise be in breach or violation of this Agreement as a result of their decision not to deliver an Election Notice, and the Seller shall have no obligation to sell, Convertible Notes at the Second Closing (as hereinafter defined) unless Presencia gives an Election Notice to the Seller within thirty (30) days after the date hereof.

2.2 Purchase Price. The aggregate purchase price to be delivered at each of the First Closing and the Second Closing (as such terms are defined below) is \$1,500,000 (the purchase price to be delivered at each closing being referred to as the "*Purchase Price*").

2.3 Closings. The closing of the purchase and sale of a Convertible Note in the principal amount equal to the Purchase Price is occurring simultaneously with the execution of this Agreement (the "*First Closing*") at the offices of Smith, Stratton, Wise, Heher & Brennan, LLP, 600 College Road East, Princeton, New Jersey on the date hereof. The closing (the "*Second Closing*") of the purchase and sale of one or more additional Convertible Notes in the aggregate principal amount equal to the Purchase Price shall occur within five (5) days after Presencia gives the Election Notice (the "*Second Closing Date*") to the Seller and shall be held at the offices of Smith, Stratton, Wise, Heher & Brennan, LLP, 600 College Road East, Princeton, New Jersey.

2.4 Closing Actions. Subject to the terms of this Agreement,

(a) at the First Closing,

(i) the Purchaser is delivering the Purchase Price in the amount of \$1,500,000 to the Seller by wire transfer to such account previously specified by the Seller;

(ii) the Seller is delivering a Convertible Note in the face amount of the Purchase Price to the Purchaser;

(iii) the Seller is delivering to each of Presencia and PVI Holding a check in the amount of \$25,000 payable to it in immediately available funds for the reimbursement of fees and expenses described in Section 19 hereof.

(iv) the Purchaser and PVI Holding are delivering to each other an intercreditor agreement (the "*Intercreditor Agreement*");

(v) the Seller and Cablevision are delivering to each other an amendment to the Option Agreement by and between the Seller and Cablevision dated as of June 25, 2002 (the "*Option Agreement*");

(vi) the Seller and Cablevision are delivering to each other an amendment to the Proprietary Information Escrow Agreement by and among the Seller,

the Subsidiaries, the Seller does not control, directly or indirectly, any other corporation, partnership, joint venture, limited liability company, association or business entity or other similar entity.

the Seller agrees to sell to the Purchasers, and the Purchasers agree to purchase from the Seller, the Convertible Notes, provided, however, that the Purchasers shall have no obligation to purchase, and shall not otherwise be in breach or violation of this Agreement as a result of their decision not to deliver an Election Notice, and the Seller shall have no obligation to sell, Convertible Notes at the Second Closing (as hereinafter defined) unless Presencia gives an Election Notice to the Seller within thirty (30) days after the date hereof.

2.2 Purchase Price. The aggregate purchase price to be delivered at each of the First Closing and the Second Closing (as such terms are defined below) is \$1,500,000 (the purchase price to be delivered at each closing being referred to as the "*Purchase Price*").

2.3 Closings. The closing of the purchase and sale of a Convertible Note in the principal amount equal to the Purchase Price is occurring simultaneously with the execution of this Agreement (the "*First Closing*") at the offices of Smith, Stratton, Wise, Heher & Brennan, LLP, 600 College Road East, Princeton, New Jersey on the date hereof. The closing (the "*Second Closing*") of the purchase and sale of one or more additional Convertible Notes in the aggregate principal amount equal to the Purchase Price shall occur within five (5) days after Presencia gives the Election Notice (the "*Second Closing Date*") to the Seller and shall be held at the offices of Smith, Stratton, Wise, Heher & Brennan, LLP, 600 College Road East, Princeton, New Jersey.

2.4 Closing Actions. Subject to the terms of this Agreement,

(a) at the First Closing,

(i) the Purchaser is delivering the Purchase Price in the amount of \$1,500,000 to the Seller by wire transfer to such account previously specified by the Seller;

(ii) the Seller is delivering a Convertible Note in the face amount of the Purchase Price to the Purchaser;

(iii) the Seller is delivering to each of Presencia and PVI Holding a check in the amount of \$25,000 payable to it in immediately available funds for the reimbursement of fees and expenses described in Section 19 hereof.

(iv) the Purchaser and PVI Holding are delivering to each other an intercreditor agreement (the "*Intercreditor Agreement*");

(v) the Seller and Cablevision are delivering to each other an amendment to the Option Agreement by and between the Seller and Cablevision dated as of June 25, 2002 (the "*Option Agreement*");

(vi) the Seller and Cablevision are delivering to each other an amendment to the Proprietary Information Escrow Agreement by and among the Seller,

Cablevision and Kramer Levin Naftalis & Frankel LLP, dated as of June 25, 2002 (the "*Escrow Agreement*");

(vii) the Seller and each of David Sitt and Roberto Sonabend are delivering to each other employment and stock option agreements;

(viii) the Seller is delivering to PVI Holding an amended and restated convertible promissory note against delivery by PVI Holding of the Convertible Promissory Note dated as of June 25, 2002 previously issued to PVI Holding by the Seller (the "*Amended and Restated PVI Holding Note*");

(ix) PVI Holding is delivering to the Seller its waiver and consent with respect to the transactions contemplated hereunder to the extent required under the Stock Purchase Agreement or the PVI Holding Note Purchase Agreement, including without limitation its waiver of its rights pursuant to Section 6.2 of the Stock Purchase Agreement as such rights relate to the issuance of shares of common stock upon exercise of the warrant described in Section 2.4(b)(x) that may be delivered in connection with the Second Closing;

(x) the Seller is delivering to the Purchaser an opinion of the Seller's counsel in a form as agreed to by the parties;

(xi) the Seller is delivering to the Purchaser a certificate, executed on behalf of the Seller by its Secretary, dated as of the Closing Date, certifying the resolutions of the Seller's Board approving the transactions contemplated by this Agreement and the other Transaction Documents;

(xii) the Seller and the parties to the Reorganization Agreement are delivering to each other an amendment thereto and their consent to the transactions contemplated hereby;

(xiii) Cablevision is delivering to the Seller its waiver and consent with respect to the transactions contemplated hereunder to the extent required under the Option Agreement; and

(xiv) following its receipt of the Purchase Price, the Seller is delivering to Presencia \$150,000 to be applied to the principal amounts outstanding as of the date of such closing with respect to the Contingent Service Fee (as such term is defined in the Consultant Services Agreement) for 2001.

(b) at the Second Closing, subject to Presencia's delivery of the Election Notice, which shall be in Presencia's sole discretion, and PVI Holding's approval of Presencia's designee(s) (if any) designated therein, which approval will not be unreasonably withheld or delayed:

(i) to the extent it is not already a party to this Agreement and

the Intercreditor Agreement, each Purchaser will deliver a joinder agreement in the form attached hereto as Annex B;

(ii) each Purchaser will deliver an amount equal to the face amount of the Convertible Note to be issued to it to the Seller by wire transfer to such account previously specified by the Seller, it being agreed that the Purchasers will deliver an aggregate amount equal to the Purchase Price of \$1,500,000 at the Second Closing;

(iii) the Seller will deliver Convertible Notes in the aggregate principal amount of the Purchase Price to the Purchasers;

(iv) the Seller will deliver to Presencia amended Presencia Warrant Certificates (the "*Amended Presencia Warrant Certificates*") against delivery of the Presencia Warrant Certificates;

(v) the Seller will deliver to PVI Holding warrants to purchase 2,658 and 106,329 shares of the Seller's common stock substantially in the form of the Special Warrants, as amended;

(vi) following its receipt of the Purchase Price, the Seller will deliver to Presencia an amount equal to the excess of \$300,645 plus accrued interest, if any, over \$150,000, on account of amounts accrued as of the date of such closing with respect to the Contingent Service Fee (as such term is defined in the Consultant Services Agreement) for 2001;

(vii) the Seller and PVI Holding will deliver to each other an amendment to the Stock Purchase Agreement in the form attached hereto as Exhibit 2.4(b)(vii);

(viii) the Seller will deliver to the Purchasers an opinion of the Seller's counsel in substantially the form delivered at the First Closing;

(ix) if neither David Sitt nor Roberto Sonabend is then serving as a co-CEO of the Seller (or as the sole CEO if one of them shall cease to so serve), the Seller shall have delivered to the Purchasers and PVI Holding a certificate executed by one of its officers stating that the representations and warranties made by the Seller in Section 4 hereof are true and correct as of the Second Closing Date with the same force and effect as if they had been made on and as of said date;

(x) if Presencia requests, the Seller will deliver to one or more of the Purchasers who are Presencia's designees (including, without limitation, directors, officers and direct or indirect shareholders of Presencia, other than Eduardo Sitt, David Sitt or Roberto Sonabend) warrants to purchase up to an aggregate of 100,000 shares of the Seller's common stock at an exercise price of \$1.50 per share and with a term of four (4) years, substantially in the form of the Amended Presencia Warrant Certificates; and

(xi) the Seller is delivering to the Purchaser a certificate, executed on behalf of the Seller by its Secretary, dated as of the Closing Date, certifying the

resolutions of the Seller's Board approving the transactions contemplated by this Agreement and the other Transaction Documents.

3. Security Interest.

3.1 Creation of Security Interest. In order to secure: (i) payment of the Convertible Debt, (ii) all costs and expenses incurred in collection or conversion of the Convertible Debt, and (iii) payment and performance of any other amounts or obligations due to the Purchasers pursuant to the Convertible Notes, including all costs of collection and enforcement of the foregoing, and all obligations of the Seller now or hereafter existing under this Agreement (all such obligations under this Section 3.1, the "*Secured Obligations*"), the Seller hereby grants to the Purchasers a security interest in the Collateral, in consideration of the acceptance by the Purchasers of the Convertible Notes.

3.2 Possession; Use of Collateral. So long as no Event of Default has occurred and is continuing, the Seller shall be entitled to the possession of the Collateral and to use and enjoy the same; *provided*, that the Purchasers shall be entitled to hold all Collateral to the extent possession is necessary or advisable to perfect the security interest granted hereby.

3.3 Filings. At any time and from time to time, on the written request of the Purchasers, the Seller will execute and deliver such further documents (including without limitation financing and continuation statements) and do such further acts and things as the Purchasers may reasonably request, in each case without cost to the Purchasers, in order to better assure, convey, assign, transfer, and confirm unto the Purchasers the property and rights hereby conveyed or assigned or intended, and to evidence, perfect, maintain, record and enforce the interest of the Purchasers in assets, now or hereafter so to be. The Seller will pay all costs of filing any financing, continuation, or termination statements with respect to the security interest created pursuant to this Agreement.

3.4 Continuing Security Interest; Transfer of Convertible Note. This Agreement shall create a continuing security interest in the Collateral, and such security interest shall: (i) remain in full force and effect until payment in full of the Secured Obligations; (ii) be binding upon the Seller, and its successors and assigns; and (iii) inure, together with the rights and remedies of the Purchasers, to the benefit of the Purchasers and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), if a Purchaser assigns or otherwise transfers its Convertible Note in accordance with the terms and conditions thereof to any other Person, such other Person shall thereupon become vested with all the rights in respect thereof granted to the Purchasers herein or otherwise.

3.5 Release of Security Interest. Upon the payment and discharge in full of the Secured Obligations, the security interest created hereby shall be null and void and of no further force and effect. In such event, the Purchasers shall, upon request, execute and deliver such proper instruments of release and satisfaction as may reasonably be requested by the Seller and shall return to the Seller all Collateral in their possession.

3.6 Intercreditor Agreement. The security interest granted herein and the security interest granted to PVI Holding pursuant to the PVI Holding Note Purchase Agreement, and the exercise of the rights and remedies set forth in Section 6 hereof and thereof, are and shall be at all times subject to the terms of the Intercreditor Agreement. To the extent that the terms of the Intercreditor Agreement conflict with Sections 3 or 6 hereof or thereof, the terms of the Intercreditor Agreement shall govern.

4. Representations and Warranties of the Seller. The Seller hereby represents and warrants to the Purchasers and PVI Holding as follows:

4.1 Organization and Standing. The Seller is (a) a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, (b) has all requisite corporate power and authority to own, lease and operate its properties and to carry on its businesses as presently conducted, (c) is duly qualified and in good standing to do business in the States of New Jersey and New York, which constitute all of the jurisdictions in which the conduct of the Seller's business or its ownership, leasing or operation of property requires such qualification where the absence of such qualification would have a Material Adverse Effect on the Seller.

4.2 Authorization of Transaction Documents. The Seller has full legal power and authority to enter into and perform its obligations under each of the Transaction Documents. This Agreement, the issuance of the Convertible Notes, and the other transactions contemplated hereby have been approved by the Seller's Board, including a majority of the members of the Seller's Board who are not affiliated with PVI Holding, Cablevision or Presencia. This Agreement and each of the other Transaction Documents have been duly and validly executed and delivered by the Seller and constitute valid and binding obligations of the Seller, enforceable in accordance with their respective terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights generally and to general principles of equity.

4.3 Subsidiaries; Other Entities. Each of the Seller's Subsidiaries, other than Princeton Video Image Europe, N.V., has all requisite corporate power and authority to own and lease its properties, to carry on its business as presently conducted and to carry out the transactions contemplated hereby. Each Subsidiary is qualified to do business as a foreign corporation in those jurisdictions in which such qualification is necessary in order to undertake its respective business and is not qualified to do business as a foreign corporation only in such other jurisdictions in which the failure to be so qualified will not have a Material Adverse Effect. Schedule B attached hereto sets forth the details of ownership of the securities of each direct and indirect Subsidiary and other entity in which the Seller holds an equity interest and the details of the equity interests relating thereto. The Seller owns all such securities of, or other interest in, each Subsidiary (or, as applicable, the securities of, or other interest in, any indirect Subsidiary are owned) free and clear of any lien, encumbrance or similar right, except for the security interest held by PVI Holding pursuant to the PVI Holding Note Purchase Agreement. Except for the Subsidiaries, the Seller does not control, directly or indirectly, any other corporation, partnership, joint venture, limited liability company, association or business entity or other similar entity.

4.4 Capitalization.

(a) The authorized capital stock of the Seller is: (i) 60,000,000 shares of Common Stock, par value \$.001; (ii) one class of 975,803 shares of Preferred Stock, par value \$.001; (iii) one class of 11,363 shares of Series A Redeemable Preferred Stock, par value \$4.50 ("*Series A Redeemable Preferred Stock*"); and (iv) one class of 12,834 shares of Series B Redeemable Preferred Stock, par value \$5.00 ("*Series B Redeemable Preferred Stock*"). As of January 21, 2003, there were issued and outstanding 18,487,802 shares of Common Stock (net of 214,040 treasury shares), 11,363 shares of Series A Redeemable Preferred Stock, 12,834 shares of Series B Redeemable Preferred Stock. No shares of the class of Preferred Stock are issued and outstanding. All such issued and outstanding shares have been duly authorized and validly issued, are fully paid and nonassessable, and were issued in compliance with all applicable state and federal laws concerning the issuance of securities.

(b) The Seller has reserved 7,000,000 shares of Common Stock for issuance to employees, consultants, officers or directors upon exercise of options granted or to be granted under stock or other option plans or arrangements approved by the Seller's Board.

(c) Since September 30, 2002, the Seller has issued no warrants, options, securities, rights or other interests convertible into or exchangeable for, or otherwise giving the holder thereof the right to purchase or acquire, directly or indirectly, from the Seller or, to the best knowledge of the Seller, from any other person any shares of Common Stock, or granted any registration rights in connection with its capital stock, except that the Seller: (i) has issued warrants to purchase 10,000 shares of the Seller's Common Stock pursuant to the Agreement For Use of The L-VIS® System dated July 10, 2002, by and between the Dallas Cowboys Football Club, Ltd. and the Seller; (ii) has issued warrants to purchase 250,000 shares of the Seller's Common Stock pursuant to the Agreement and Release dated October 23, 2002 between Dennis P. Wilkinson and the Seller; (iii) has granted options in accordance with the Seller's stock option plan, the shares issuable upon the exercise of such options being included in the reserved shares described in Section 4.4(b) hereof.

(d) The Seller is not a party or subject to any agreement or understanding between any persons or entities, which affects or relates to the voting or giving of written consents with respect to any securities, except for the following: (i) the Shareholders Agreement dated February 4, 2001, by and among the Seller, PVI Holding, Brown F Williams, and Presencia; (ii) the Reorganization Agreement; (iii) the Shareholders Agreement of Princeton Video Image Europe, N.V., dated July 18, 2000, by and among the Seller, Interactive Media, S.A., and Princeton Video Image Europe, N.V. (the "*PVI Europe Shareholders Agreement*"); and (iv) the Stockholders Agreement by and among the Seller, SciDel Technologies, Ltd. and the stockholders named therein.

4.5 Valid Issuance. The shares of the Seller's Common Stock (the "*Shares*") to be issued upon any conversion of the Convertible Notes will be duly and validly issued, fully paid and nonassessable and will be free of any liens or encumbrances. The rights and restrictions of the Shares are as set forth in the Seller's Certificate of Incorporation. The Shares issuable

upon conversion of the Convertible Notes pursuant to Section 3(a) thereof have been duly and validly reserved for issuance, and the number reserved is subject to adjustment in accordance with the terms of the Convertible Notes. The Shares when issued and delivered in accordance with the terms of the Convertible Notes will be entitled to full and unencumbered voting rights consistent with the provisions of the Seller's Certificate of Incorporation.

4.6 No Preemptive Rights. Except as provided in the Reorganization Agreement and the Stock Purchase Agreement, no person has any right of first refusal or any preemptive rights in connection with (i) the issuance of the Shares or (ii) any future issuances of securities by the Seller.

4.7 Intellectual Property Rights.

(a) "*Intellectual Property Rights*" means all domestic and foreign patents, trademarks, copyrights, service marks, and applications and registrations therefore, and all software, technical data and designs, trade names, customer lists, trade secrets, proprietary processes and formulae, inventions, know-how, other confidential and proprietary information, and other industrial and intellectual property rights. Schedule C hereto sets forth a true and complete list of all domestic and foreign patents, domestic and foreign trademarks, domestic and foreign service marks, domestic and foreign copyrights, and applications and registrations therefore, owned or controlled by the Seller or its Subsidiaries. The Seller or its Subsidiaries own or are licensed to use all of the Intellectual Property Rights used by the Seller or its Subsidiaries to carry on their businesses as presently conducted and as presently proposed to be conducted. All registered or issued patents, copyrights, trademarks, and service marks, and applications therefore (unless expired or abandoned as of the date hereof), owned or controlled by the Seller or its Subsidiaries, are in full force and effect. All prior art known to the Seller or its Subsidiaries which may be or may have been pertinent to the examination of any United States patent or patent application owned or filed by the Seller and its Subsidiaries has been cited to the United States Patent and Trademark Office.

(b) Except with respect to the Licensed Rights (as defined herein), the Seller has good, valid and subsisting title to all of the Intellectual Property Rights used by the Seller or its Subsidiaries to carry on its business as presently conducted, free and clear of all liens, mortgages, security interests, pledges, charges and encumbrances, and, to the Seller's best knowledge, third party claims of any ownership rights, title or interest; *provided*, that the Intellectual Property Rights held by Princeton Video Image Israel, Ltd., are subject to certain rights and restrictions held by the government of Israel and its Office of the Chief Scientist; and *provided further*, that the Seller's ownership interest in the Intellectual Property Rights is subject to the security interest held by PVI Holding pursuant to the PVI Holding Note Purchase Agreement and to the terms of the Escrow Agreement and the Option Agreement. The Seller or its Subsidiaries has the right to bring infringement actions with respect to the Intellectual Property Rights owned or controlled by the Seller or its Subsidiaries. Intellectual Property Rights conceived by employees or consultants of the Seller or its Subsidiaries and related to the business of the Seller or its Subsidiaries were "works for hire", and all right, title, and interest therein were transferred and assigned to the Seller or its Subsidiaries.

(c) To the Seller's best knowledge, neither the Seller nor its Subsidiaries use, market or sell, or propose to use, market or sell, any product or service that violates or would violate any Intellectual Property Right of a third party. There is no pending or threatened claim or litigation against the Seller or its Subsidiaries (i) contesting the Seller's or its Subsidiaries' right to use Intellectual Property Rights to carry on its business as presently conducted, (ii) asserting the invalidity, unenforceability or misuse of any Intellectual Property Rights owned or controlled by the Seller or its Subsidiaries, or (iii) asserting the infringement or other violation of, or conflict with, any Intellectual Property Rights of a third party. The Seller is not aware of any third party that uses, markets or sells or proposes to use, market or sell, any product or service that violate, or would violate or is in conflict with the Intellectual Property Rights owned or controlled by the Seller or its Subsidiaries, except that Symah Vision, a French company and subsidiary of Lagardere may currently be in violation of certain patents which Seller has recently acquired from SciDel Technologies, Ltd..

(d) None of the Intellectual Property Rights owned or controlled by the Seller or its Subsidiaries are subject to any outstanding judgment or contract restricting the use thereof by the Seller or its Subsidiaries, except as set forth in Section 4.7(b) above. Other than in the ordinary course of business consistent with past practices, neither the Seller nor its Subsidiaries has entered into any agreement to indemnify any other Person against any charge of infringement of any Intellectual Property Rights.

(e) Assuming the consummation of the transactions contemplated herein and the application of the proceeds thereof, the Seller and its Subsidiaries are not in default, which default could result in a Material Adverse Effect, in the payment of any royalties, license fees or other consideration to any owner or licensor of any agreements, memorandums or other undertakings that grant licenses, sublicenses or other rights of use of any Intellectual Property Rights owned by a third party and licensed to the Seller or its Subsidiaries (the "*Licensed Rights*") used in or necessary for the conduct of its business as now conducted and as proposed to be conducted or to any agent or representative of any such owner or licensor by reason of the use thereof by the Seller or its Subsidiaries, nor otherwise is in default, which default could result in a Material Adverse Effect, in any respect in the performance of any of its obligations to any such owner or licensor, and no such owner or licensor, nor any such agent or representative, has notified the Seller or its Subsidiaries of any claim of any such default, which default could result in a Material Adverse Effect; except that the Seller's intention to discontinue any further payment of royalties under the Research Agreement between the Seller and David Sarnoff Research Center, Inc. dated November 4, 1990, as amended, may result in a default with respect to such agreement. Such Licensed Rights are valid and authorized by the terms under which the Seller or its Subsidiaries licenses or otherwise uses such Licensed Rights.

4.8 Compliance with Other Instruments. Each of the Seller and its Subsidiaries is not in violation of any term of its Certificate of Incorporation or Bylaws, nor is the Seller nor its Subsidiaries, to the best knowledge of the Seller, in violation of any order, statute, rule or regulation applicable to the Seller or its Subsidiaries, the violation of which could result in a Material Adverse Effect, except that Princeton Video Image Europe, N.V. is in violation of Belgian law with respect to non-payment of certain social security and withholding taxes. The execution, delivery and performance of and compliance with this Agreement or the

other Transaction Documents, and the issuance and sale of the Shares upon conversion of the Convertible Notes, will not (a) result in any such violation which could have a Material Adverse Effect; (b) be in conflict with or constitute a default under any term of any mortgage, indenture, contract, agreement, instrument, judgment or decree which could have a Material Adverse Effect; or (c) result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Seller and its Subsidiaries, individually or in the aggregate, pursuant to any such term which could have a Material Adverse Effect. To the best knowledge of the Seller, there is no such term or any such order, statute, rule or regulation which adversely affects, or in the future could have a Material Adverse Effect.

4.9 Litigation. There is no action, proceeding or investigation pending or threatened against the Seller or its Subsidiaries, or their respective officers, directors or stockholders, or to the best knowledge of the Seller, against employees of the Seller or its Subsidiaries (or, to the best knowledge of the Seller, any basis therefor or threat thereof): (a) which, assuming the consummation of the transactions contemplated herein and the application of the proceeds thereof, could result, either individually or in the aggregate, in (i) any Material Adverse Effect, or (ii) any material impairment of the right or ability of the Seller or its Subsidiaries to carry on its business as now conducted or as proposed to be conducted; or (b) which questions the validity of this Agreement or the other Transaction Documents, or any action taken or to be taken in connection herewith; *provided*, the Belgian government may initiate legal proceedings against Princeton Video Image Europe, N.V. for non-payment of certain social security and withholding taxes; and *provided further*, Intervest Management, N.V., has indicated an intent to initiate legal proceedings against Princeton Video Image Europe, N.V., as lessee, and the Seller, as guarantor, for recovery of rent and service fees due pursuant to the terminated lease agreement, dated July 17, 2000, by and between Princeton Video Image Europe, N.V. and Intervest Management, N.V. Neither the Seller nor any of its Subsidiaries is a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. There is no action, suit, proceeding or investigation by the Seller or its Subsidiaries currently pending or which the Seller or its Subsidiaries currently intends to initiate; *provided*, however, the Seller may initiate legal proceedings against Virtual Media Lab, Inc. ("*VML*") for recovery of the L-VIS® System in VML's possession pursuant to the license agreement, dated December 28, 2000, by and between the Seller and VML, which was terminated by the Seller on or about September 10, 2002.

4.10 No Consents or Approvals Required. No consents, approvals or authorization of or designation, declaration or filing with any governmental or regulatory authority agency, commission, body or other governmental entity, including, without limitation, the Nasdaq Stock Market, or by any court or other third party which has not been made or obtained is required for the valid authorization, execution, delivery and performance by the Seller of this Agreement and each of the other Transaction Documents or for the valid sale, issuance, delivery and performance of the Convertible Notes. The approval of the Company's stockholders is not required in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

4.11 Offering. In reliance on the representations and warranties of the Purchasers in Section 7 hereof, the offer, sale and issuance of the Convertible Notes in

conformity with the terms of this Agreement, and the offer, sale and issuance of the Shares upon any conversion of the Convertible Notes, will not result in a violation of the requirements of Section 5 of the Securities Act of 1933, as amended (the "*Securities Act*"), or the qualification or registration requirements of applicable blue sky laws.

4.12 Taxes. Each of the Seller and its Subsidiaries has filed all tax returns that are required to have been filed with appropriate federal, state, county and local governmental agencies or instrumentalities, except, assuming the consummation of the transactions contemplated herein and the application of the proceeds thereof, where the failure to do so could not have a Material Adverse Effect; *provided*, Princeton Video Image Europe, N.V. has not made payment of certain social security and withholding taxes required by the Belgian government. Neither the Seller nor its Subsidiaries have elected pursuant to the Internal Revenue Code of 1986, as amended (the "*Code*"), to be treated as a Subchapter S corporation or a collapsible corporation pursuant to Section 341(f) or Section 1362(a) of the Code, nor has it made any other elections pursuant to the Code (other than elections which relate solely to methods of accounting, depreciation or amortization) which could have a Material Adverse Effect, as presently conducted or proposed to be conducted or any of its properties or material assets.

4.13 Title. Each of the Seller and its Subsidiaries owns or leases all property and assets used in the conduct of its business free and clear of all liens, mortgages, loans or encumbrances except liens for current taxes and such encumbrances and liens which arise in the ordinary course of business and do not have a Material Adverse Effect on the Seller's or its Subsidiary's ownership (as applicable) or use of such property or assets; *provided*, that all such property and assets are subject to a security interest held by PVI Holding pursuant to the PVI Holding Note Purchase Agreement and to the terms of the Escrow Agreement and the Option Agreement.

4.14 Material Contracts and Commitments. All of the material contracts and agreements to which the Seller is a party (each a "*Contract*") are valid, binding and in full force and effect and enforceable by and against the Seller in accordance with their respective terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, or other laws of general application relating to or affecting enforcement of creditors' rights, and rules or laws concerning equitable remedies; *provided*, the L-VIS® System License Agreement, dated July 12, 2002, by and between Princeton Video Image Europe, N.V. and the Seller has been terminated by the Seller effective December 20, 2002; *provided, further*, Princeton Video Image Europe, N.V. is in default of loans with an outstanding principal and accrued interest balance in the amount of \$3,666,290, as of December 13, 2002, made by the Seller to Princeton Video Image Europe, N.V.; *provided further*, the Restated and Amended Employment Agreement dated as of October 28, 2001, by and between Lawrence L. Epstein, Vice President Finance and Chief Financial Officer, and the Seller was terminated effective October 31, 2002, by letter dated November 26, 2002. For purposes of the foregoing provision, "material contracts" shall be deemed to mean: (i) all of the contracts, mortgages, indentures, agreements, instruments and transactions to which the Seller is a party or by which it is bound (including purchase orders to the Seller or placed by the Seller) which involve obligations of, or payments to, the Seller in excess of \$100,000; (ii) all agreements between the Seller and its officers, directors, consultants and employees; (iii) all agreements or understandings between the Seller and current or potential

sales affiliates, agents or distributors; (iv) all agreements of the Seller that contain restrictions on its ability to compete; (v) all agreements creating an obligation to participate in a joint venture, limited liability company, partnership or similar arrangement; (vi) all agreements that contain provisions that require or gives either party to the agreement the option that payments by the Seller be made as a percent of its revenue or in stock; (viii) all agreements with a term exceeding three years; (ix) all guarantees of the obligations of others; (x) all agreements granting rights of exclusivity to third parties; (xi) all agreements relating to the acquisition or disposition of any business or any interest therein; (xii) all leases of real property or material personal property or any capital leases.

4.15 Financial Statements. The Seller's financial statements, consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows for the fiscal years ended December 31, 2001 and June 30, 2001 (the "*Audited Financial Statements*"), reported on by PricewaterhouseCoopers LLP, have been delivered to the Purchasers. The Seller's financial statements, consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows for the interim periods subsequent to December 31, 2001 (the "*Interim Financial Statements*" and, together with the Audited Financial Statements, the "*Financial Statements*") are in accordance with the books and records of the Seller, are complete and correct, and fairly and accurately present the financial condition and operating results of the Seller for the periods indicated therein, all in conformity with generally accepted accounting principles ("*GAAP*"), except that the Interim Financial Statements do not contain footnotes or reflect the inter-period adjustments required by GAAP. As of the date of the most recent balance sheet included in the Interim Financial Statements, the Seller did not have any liabilities, absolute, contingent, or otherwise, which in accordance with GAAP are required to be disclosed or reserved for other than as set forth in the Financial Statements. The Seller maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP.

4.16 No Material Adverse Effect. Since December 31, 2001, there has been no Material Adverse Effect, except that Seller has received a going concern qualification from its independent auditors; and, unless the transactions, including the Second Closing, as contemplated herein are consummated, the Seller will continue to lack sufficient cash assets to pay its obligations as they become due. Seller has also received notification from the Nasdaq Stock Market that it is not in compliance with the Nasdaq Stock Market listing qualification requirements. The Seller's common stock was conditionally transferred from the Nasdaq National Market to the Nasdaq SmallCap Market at the recommendation of the Nasdaq Listing Qualifications Panel.

4.17 Absence of Changes. Since December 31, 2001:

(a) there has been no damage to, destruction of or loss of physical property (whether or not covered by insurance) resulting in a Material Adverse Effect;

(b) neither the Seller nor any of its Subsidiaries has declared or paid any dividend or made any distribution on its stock, or issued, offered, redeemed, purchased or otherwise acquired any of its capital stock;

(c) there has been no resignation or termination of employment of any key officer or employee of the Seller or its Subsidiaries that has resulted in a Material Adverse Effect (it being noted that Lawrence L. Epstein ceased to be employed by the Seller effective October 31, 2002, which has not resulted in a Material Adverse Effect), and each of the Seller and its Subsidiaries does not know of any impending resignation or termination of employment of any such officer or employee that, if consummated, would have a Material Adverse Effect;

(d) there has been no change, except in the ordinary course of business, in the material contingent obligations of the Seller or its Subsidiaries (or in any contingent obligation of the Seller or its Subsidiaries regarding any director, shareholder or key employee or officer of the Seller or its Subsidiaries) by way of guaranty, endorsement, indemnity, warranty or otherwise;

(e) there have been no loans made by the Seller or its Subsidiaries to any of its employees, officers or directors other than travel advances and other advances made in the ordinary course of business;

(f) there has been no waiver by the Seller or the Subsidiaries of a valuable right or of a material debt owing to it; and

(g) there has not been any satisfaction or discharge of any lien, claims or encumbrance or any payment of any obligation by the Seller or its Subsidiaries, except in the ordinary course of business and which has not resulted in a Material Adverse Effect.

4.18 Registration Rights. The Seller has not granted or agreed to grant any rights to register securities, including piggyback registration rights, to any person or entity which grants or agreements are effective as of the date hereof, except for those registration rights granted to: (i) Presencia, Eduardo Sitt, David Sitt, Roberto Sonabend, Presence in Media, in accordance with the Reorganization Agreement; (ii) Allen & Company in accordance with warrant certificates dated October 20, 1999, December 20, 2000 and September 20, 2001; (iii) Warner Brothers in accordance with the Agreement Re Digital Product Insertion Services dated September 1, 2002, by and between Warner Brothers and the Seller; and (iv) PVI Holding in accordance with the Stock Purchase Agreement.

4.19 Certain Transactions. Each of the Seller and its Subsidiaries is not indebted, directly or indirectly, to any of its employees, officers, directors or stockholders or to their spouses or children, in any amount whatsoever, except that the Seller owes expense reimbursement to employees and the Seller is indebted to (i) PVI Holding under the PVI Holding Note and (ii) Presencia under the Presencia Notes; and none of said employees, officers, directors, stockholders, or any member of their immediate families, are indebted to the Seller or its Subsidiaries or have any direct or indirect ownership interest in any firm or corporation with which the Seller or its Subsidiaries is affiliated or with which the Seller or its Subsidiaries has a business relationship, except that the certain officers and directors have an interest in, respectively, Presencia and Consultores Asociados Dasi, S.C., both of which have business relationships with Publicidad. No such employee, officer, director, shareholder, or any member

of their immediate families, is, directly or indirectly, interested in any Contract with the Seller or its Subsidiaries, except: (x) as previously stated in this Section 4.19; (y) certain directors are affiliated with Presencia, PVI Holding and with licensees of the Seller; and (z) Presencia is guarantor on a note executed and delivered to BBVA Bancomer by Publicidad on June 13, 2002. Each of the Seller and its Subsidiaries is not guarantor or indemnitor of any indebtedness of any other person, firm or corporation, except for any guarantees or indemnification by the Seller of any obligations or debts of its Subsidiaries.

4.20 Proprietary Information of Third Parties. No employee or consultant of the Seller nor its Subsidiaries is or will be in violation of any judgment, decree, or order, or any term of any employment contract, patent disclosure agreement, or other contract or agreement relating to the relationship of any such employee or consultant with the Seller or its Subsidiaries or, to the Seller's best knowledge, any other party because of the nature of the business conducted or proposed to be conducted by the Seller or its Subsidiaries or the use by the employee or consultant of his best efforts with respect to such business. To the Seller's best knowledge, no third party has claimed or has reason to claim that any person employed or engaged by the Seller or its Subsidiaries has (a) violated or may be violating any of the terms or conditions of his employment, non-competition or non-disclosure agreement with such third party, (b) disclosed or may be disclosing or utilized or may be utilizing any trade secret or proprietary information or documentation of such third party, or (c) interfered or may be interfering in the employment relationship between such third party and any of its present or former employees. No third party has requested information from the Seller or its Subsidiaries which suggests that such a claim might be contemplated. To the Seller's best knowledge, no person employed by or engaged by the Seller or its Subsidiaries has used or proposes to use any trade secret or any information or documentation proprietary to any former employer, and no person employed by or engaged by the Seller or its Subsidiaries has violated any confidential relationship which such person may have had with any third party, in connection with the development, manufacture or sale of any product or proposed product or the development or sale of any service or proposed service of the Seller or its Subsidiaries, and the Seller has no reason to believe there will be any such use or violation.

4.21 Employee Benefit Plans

(a) All benefit and compensation plans, contracts, policies or arrangements covering current or former employees of the Seller and its Subsidiaries (the "Employees") and current or former directors of the Seller, including, but not limited to, "employee benefit plans" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), and deferred compensation, stock option, stock purchase, stock appreciation rights, stock based, incentive and bonus plans (the "*Benefit Plans*"), other than "multiemployer plans" within the meaning of Section 3(37) of ERISA, covering Employees which are subject to ERISA (the "*ERISA Plans*") are in substantial compliance with ERISA, and any non-compliance would not result in a Material Adverse Effect. Each ERISA Plan which is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA ("*Pension Plan*") and which is intended to be qualified under Section 401(a) of the Code, may properly rely upon a favorable determination letter issued by the Internal Revenue Service, and the Seller is not aware of any circumstances likely to result in revocation of any

such favorable determination letter or the loss of the qualification of such Plan under Section 401(a) of the Code. Each ERISA Plan which is intended to be part of a voluntary employees' beneficiary association within the meaning of Section 501(c)(9) of the Code has (i) received an opinion letter from the Internal Revenue Service recognizing its exempt status under Section 501(c)(9) of the Code and (ii) filed a timely notice with the Internal Revenue Service pursuant to Section 505(c) of the Code, and the Seller is not aware of circumstances likely to result in the loss of the exempt status of such ERISA Plan under Section 501(c)(9) of the Code. Neither the Seller nor any of its Subsidiaries has engaged in a transaction with respect to any ERISA Plan that, assuming the taxable period of such transaction expired as of the date hereof, could subject the Seller or any Subsidiary to a tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA in an amount which would result in a Material Adverse Effect.

(b) No liability under Subtitle C or D of Title IV of ERISA has been or is expected to be incurred by the Seller or any of its Subsidiaries with respect to any ongoing, frozen or terminated "single-employer plan", within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them, or the single-employer plan of any entity which is considered one employer with the Seller under Section 4001 of ERISA or Section 414 of the Code (an "*ERISA Affiliate*"). The Seller and the Subsidiaries have not incurred and do not expect to incur any withdrawal liability with respect to a multiemployer plan under Subtitle E of Title IV of ERISA (regardless of whether based on contributions of an ERISA Affiliate). No notice of a "reportable event", within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived or extended, other than pursuant to PBGC Reg. Section 4043.66, has been required to be filed for any Pension Plan or by any ERISA Affiliate within the 12-month period ending on the date hereof.

(c) All contributions required to be made under the terms of any Benefit Plan have been timely made or have been reflected on the Audited Financial Statements or the Interim Financial Statements. Neither any Pension Plan nor any single-employer plan of an ERISA Affiliate has an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA and no ERISA Affiliate has an outstanding funding waiver. Neither the Seller nor any of its Subsidiaries has provided, or is required to provide, security to any Pension Plan or to any single-employer plan of an ERISA Affiliate pursuant to Section 401(a)(29) of the Code.

(d) Under each Pension Plan which is a single-employer plan, as of the last day of the most recent plan year ended prior to the date hereof, the actuarially determined present value of all "benefit liabilities", within the meaning of Section 4001(a)(16) of ERISA (as determined on the basis of the actuarial assumptions contained in such Pension Plan's most recent actuarial valuation), did not exceed the then current value of the assets of such Plan, and there has been no material change in the financial condition of such Plan since the last day of the most recent plan year. The withdrawal liability of the Seller and its Subsidiaries under each Benefit Plan which is a multiemployer plan to which the Seller, any of its Subsidiaries or an ERISA Affiliate has contributed during the preceding 12 months, determined as if a "complete withdrawal", within the meaning of Section 4203 of ERISA, had occurred as of the date hereof, does not exceed \$100,000.

(e) There is no pending or, to the best knowledge of the Seller, threatened, litigation relating to the Benefit Plans which could result in a Material Adverse Effect. Neither the Seller nor any of its Subsidiaries has any obligations for retiree health and life benefits under any ERISA Plan. The Seller or the Subsidiaries may amend or terminate any such Plan at any time without incurring any liability thereunder.

(f) There has been no amendment to, announcement by the Seller or any of its Subsidiaries relating to, or change in employee participation or coverage under, any Benefit Plan which would materially increase the expense of maintaining such Plan above the level of the expense incurred therefor for the most recent fiscal year. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will (i) entitle any employees of the Seller or any of the Subsidiaries to severance pay or any increase in severance pay upon any termination of employment after the date hereof, (ii) accelerate the time of payment or vesting or trigger any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any of the Benefit Plans, (iii) cause the Seller or any of its Subsidiaries to record any material additional compensation expense on its income statement with respect to any outstanding stock option or other equity-based award or (iv) result in payments under any of the Benefit Plans which would not be deductible under Section 162(m) or Section 280G of the Code.

(g) All Benefit Plans maintained outside of the United States comply in all material respects with applicable local law. The Seller and its Subsidiaries have no material unfunded liabilities with respect to any such Benefit Plan.

4.22 Environmental and Safety Laws. Neither the Seller nor its Subsidiaries is in violation of any applicable statute, law, or regulation relating to the environment or occupational health and safety which violation or violations, in the aggregate, would have a Material Adverse Effect, and no expenditures that could result in a Material Adverse Effect are or will be required in order to comply with any such existing statute, law, or regulation.

4.23 Insurance. Each of the Seller and its Subsidiaries has in full force and effect fire and casualty insurance policies, and insurance against other hazards, risks and liabilities to persons and property to the extent and in the manner customary for companies in similar businesses similarly situated.

4.24 Disclosure. The Seller has delivered or made available via EDGAR or otherwise to the Purchasers each registration statement, report, proxy statement or information statement filed by it with the Securities and Exchange Commission (the "SEC") in the form (including exhibits, annexes and any amendments thereto) filed with the SEC (collectively, the "Seller Reports"). As of their respective dates, the Seller Reports complied in all material respects with the requirements of the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, not misleading. No representation or warranty of the Seller made in this Agreement, or in any statement, document or certificate furnished or to be furnished to the Purchasers pursuant hereto or in connection with the transactions contemplated hereby, contains or will contain any untrue

statement of a material fact or omits or will omit to state a material fact necessary to make the statements made herein and therein, not misleading.

4.25 Transfer Restrictions.

(a) The Seller's direct and indirect equity ownership interests in other entities are not subject to any Transfer Restrictions (as defined in Schedule A hereto) that will materially interfere with the ownership, use or enjoyment of such ownership interests, except for the following: (i) the Seller's ownership interest in Princeton Video Image Europe, N.V. is subject to the PVI Europe Shareholders Agreement; (ii) the Seller's ownership interest in the Revolution Company, LLC, is subject to the Operating Agreement dated January 24, 2001, by and among CBS Technology Corporation, Core Digital Technologies, Inc., and the Seller (the "*Revolution Company Operating Agreement*"); (iii) any transfer of the Seller's ownership interest in Princeton Video Image Israel, Ltd. requires the consent or approval of the government of Israel and its Office of the Chief Scientist; (iv) the Seller's ownership interest in its Subsidiaries is subject to the security interest held by PVI Holding pursuant to the PVI Holding Note Purchase Agreement; and (v) except as required pursuant to the Revolution Company, LLC Operating Agreement, any sale, transfer, assignment, pledge or hypothecation of any of the Seller's interests in Princeton Video Image Europe, N.V., Princeton Video Image Israel, Ltd., or Revolution Company, LLC shall require the written consent of PVI Holding.

(b) Neither the Seller's nor its Subsidiaries' Intellectual Property Rights are subject to any Transfer Restrictions that will materially interfere with the ownership, use or enjoyment of such Intellectual Property Rights in the manner used by the Seller and its Subsidiaries to carry on their businesses as presently conducted or proposed to be conducted, including without limitation the planned commercial deployment of the Seller's L-VIS and iPOINT products, except for the following: (i) any transfer of the Intellectual Property Rights of Princeton Video Image Israel, Ltd. will require the consent or approval of the government of Israel and its Office of the Chief Scientist; (ii) the Cross-License Agreement among the Seller, Sportvision, Inc. and the others named therein dated as of July 29, 2002 contains restrictions on the assignment of the licenses granted to the Seller thereby to parties other than Cablevision or Presencia, or their respective affiliates; (iii) the Seller's software license with Broadcom Corporation prohibits the Seller from transferring or distributing Broadcom proprietary software used to create the existing iPoint interface with Broadcom products to third parties other than in object code form; (iv) the Seller's ownership interest in the Intellectual Property Rights is subject to the security interest held by PVI Holding pursuant to the PVI Holding Note Purchase Agreement; (v) the Seller's ownership interest in the Intellectual Property Rights is subject to the terms of the Escrow Agreement and the Option Agreement; (vi) any sale, transfer, assignment, pledge or hypothecation of any of the Intellectual Property Rights or other assets of Princeton Video Image Israel, Ltd. shall require the written consent of PVI Holding; and (vii) any sale, transfer, assignment, pledge or hypothecation of any of the Intellectual Property Rights or other assets of Publicidad shall require the written consent of PVI Holding.

(c) To the best knowledge of the Seller, no asset, right or property of the Seller or its Subsidiaries not described in Sections 4.25(a) or 4.25(b) which is material to the conduct of the Seller's business as presently conducted or proposed to be conducted, including

without limitation, the planned commercial deployment of the Seller's L-VIS and iPOINT products, is subject to any Transfer Restrictions, other than property subject to the security interest held by PVI Holding pursuant to the PVI Holding Note Purchase Agreement, and property subject to the terms of the Escrow Agreement and the Option Agreement.

4.26 Security Interest; Collateral. The Seller has made all filings and recordings necessary or appropriate to create in favor of the Purchasers a legal, valid and enforceable security interest in the Collateral to the extent that a security interest can be created therein under Section 9-109 of the Uniform Commercial Code in effect in the State of New York. Subject to the Purchasers taking possession or control of the Collateral, where permitted or required, all actions will have been taken so that the Purchasers, or one of them, have a fully perfected security interest in such of the Collateral as may be perfected by such filing or possession or control.

4.27 Assets of Princeton Video Image Europe, N.V. Princeton Video Image Europe, N.V., the Seller's Subsidiary, has no material assets.

5. Covenants of the Seller. Unless approved, consented to or excepted in advance in writing by the Purchasers, until payment and discharge in full of the Secured Obligations, the Seller covenants and agrees that:

5.1 Transfer; Liens. Except as otherwise permitted hereunder, or in the ordinary course of business as presently conducted with respect to normal transfers, sales, leases and licenses of equipment, products and technology, abandonments of damaged, worn, or dilapidated assets and property, account receivables, and Collateral of de minimus value and the application of cash to payments to vendors and other creditors (the "*Ordinary Course of Business*"), the Seller shall not sell, loan, exchange, assign, deliver, or transfer the Collateral or otherwise dispose of the Collateral or any of the Seller's rights in or to the Collateral. Except as otherwise permitted hereunder, the Seller shall not: (i) permit any other security interest to attach to any of the Collateral; (ii) permit the Collateral to be levied upon under any legal process; or (iii) permit anything to be done that may impair the value of any of the Collateral or the security intended to be afforded by this Agreement. Except as otherwise permitted hereunder, the Seller shall defend the title to the Collateral against all persons and all claims and demands whatsoever and shall keep the Collateral free and clear of all liens, charges, encumbrances, taxes and assessments not in existence of the date hereof.

5.2 Maintenance; Taxes; Inspection. The Seller will maintain all tangible property included in the Collateral in good condition and repair, at its own expense, reasonable wear and tear excepted, and will pay and discharge all taxes levied on the Collateral as well as the cost of repairs to or maintenance of the same. The Seller will permit the Purchasers to inspect the Collateral at all reasonable times, following reasonable prior notice.

5.3 Insurance. The Seller will insure all tangible property included in the Collateral against such risks and casualties and in such amounts as are customary in the Seller's business. All insurance policies shall be written for the benefit of the Seller and the Purchasers, as their interests may appear, and such policies or certificates evidencing same shall be furnished

to the Purchasers. The Seller shall give the Purchasers and all relevant insurers written notice, as promptly as practicable, of loss of or damage to the Collateral and shall promptly file proofs of loss with relevant insurers.

5.4 Filings. The Seller will pay all costs of filing any financing, continuation or termination statements with respect to the security interest created by the Seller pursuant to this Agreement. The Purchasers are hereby appointed the Seller's attorney-in-fact to do all acts and things which the Purchasers may deem necessary to perfect and continue perfected the security interest created by this Agreement and to protect the Collateral.

5.5 Additional Indebtedness. The Seller will not incur any (i) severance and other termination obligations, other than in the ordinary course of business as presently conducted, or (ii) additional indebtedness, other than indebtedness for trade payables and similar items of indebtedness incurred in the ordinary course of business as presently conducted that do not constitute indebtedness for borrowed money.

5.6 Purchasers' Performance of the Seller's Obligations. In case of the Seller's default in performing any agreement, covenant or obligation under this Agreement, the Purchasers may (but shall not be obligated to) procure the performance thereof and add the cost (including reasonable attorneys' fees) thereof to the Secured Obligations.

5.7 Transfers of Certain Assets.

(a) Except to the extent that it may be required to do so pursuant to Article 8 of the Revolution Company Operating Agreement, the Seller will not directly or indirectly sell, transfer, assign, pledge or hypothecate any of its interests in Princeton Video Image Europe, N.V., Princeton Video Image Israel, Ltd., or Revolution Company, LLC without the written consent of the Purchasers. Nothing contained in this Agreement to the contrary shall be construed to prohibit the Seller from causing the dissolution of Princeton Video Image Europe, N.V. or taking any action in connection with such dissolution.

(b) The Seller agrees that it will not directly or indirectly, and will cause Princeton Video Image Israel, Ltd. not to, sell, transfer, assign, pledge or hypothecate any of the assets of Princeton Video Image Israel, Ltd., except in the Ordinary Course of Business, as defined in Section 5.1, or pursuant to agreements in effect on the date hereof, without the written consent of the Purchasers.

(c) The Seller agrees that it will not directly or indirectly, and will cause Publicidad not to, sell, transfer, assign, pledge or hypothecate any of the assets of Publicidad except in the Ordinary Course of Business, as defined in Section 5.1, or pursuant to agreements in effect on the date hereof, without the written consent of the Purchasers.

6. Remedies in the Event of Default.

6.1 General. The Purchasers may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it under

applicable law as in effect at that time, all the rights, remedies and privileges with respect to the collateral of a secured party in the event of a default under the Uniform Commercial Code (the "UCC") in effect in the State of New York at that time, or under the law pertaining to secured creditors of any other jurisdiction as may apply, and the Purchasers may also, without notice except as specified below, sell such Collateral or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery. The Seller agrees that, to the extent notice of sale shall be required by law, at least 10 days' notice to the Seller of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Purchasers shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Purchasers may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

6.2 Application of Cash to Secured Obligations. Any cash held by the Purchasers as Collateral and all cash proceeds received by the Purchasers in respect of the sale of, collection from or other realization upon all or any part of the Collateral, in the discretion of the Purchasers, may be held by the Purchasers as collateral for, and/or then or at any time thereafter applied (after payments of any amounts payable pursuant to Section 6.4) in whole or in part by the Purchasers against, all or any part of the Secured Obligations in such order as the Purchasers shall elect. The Seller shall remain liable under the Secured Obligations for any Secured Obligations remaining unpaid after application of such cash or cash proceeds against the Secured Obligations. Any surplus of such cash or cash proceeds held by the Purchasers and remaining after payment in full of all the Secured Obligations shall be paid over to the Seller or to any party lawfully entitled to receive such surplus.

6.3 Assembly of Collateral. Upon the demand of the Purchasers after the occurrence of an Event of Default, the Seller shall assemble the Collateral and make it available to the Purchasers at a reasonable time and reasonable place designated in such demand.

6.4 Expenses. The Seller agrees to pay to the Purchasers and PVI Holding, upon demand, the amount of any and all reasonable expenses, including the reasonable fees and expenses of counsel and of any experts and agents, that the Purchasers or PVI Holding may incur in connection with: (i) the sale of, collection from or other realization upon any of the Collateral; (ii) the exercise or enforcement of any of the rights of the Purchasers hereunder or under the Convertible Notes; or (iii) the failure by the Seller to perform or observe any of the provisions hereof or thereof.

7. Representations and Warranties of the Purchasers. Each of the Purchasers represents and warrants to the Seller as follows:

7.1 Authorization of Agreement. The Purchaser has full legal power and authority to enter into and perform this Agreement. This Agreement has been duly and validly executed and delivered by the Purchasers and constitutes the valid and binding obligation of the Purchasers, enforceable in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights generally and to general principles of equity.

7.2 Accredited Investor. The Purchaser is an accredited investor within the meaning of Rule 501(a) promulgated under the Securities Act. It is acquiring its Convertible Note for its own account and not with the view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act. It understands that the Convertible Note has not been registered under the Securities Act or any applicable state laws by reason of its issuance or contemplated issuance in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act and such laws, and that the reliance of the Seller and others upon this exemption is predicated in part upon this representation and warranty. It further understands that the Convertible Note may not be transferred or resold without (a) registration under the Securities Act and any applicable state securities laws, or (b) an exemption from the requirements of the Securities Act and applicable state securities laws.

7.3 Investment Evaluation and Business Affairs. The Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment to be made hereunder. It has and has had access to all of the Seller's books and records and access to the Seller's executive officers as the Purchaser has requested. From its access to such information, the Purchaser is aware of the Seller's limited cash on hand and going-concern risks. The Purchaser recognizes that investment in the Convertible Note involves a number of significant risks.

7.4 Legend. The Purchaser understands that its Convertible Note shall bear a legend in substantially the following form in addition to any other legends that may be required under any other documents to which the Purchaser is a party.

THIS CONVERTIBLE PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND IS A "RESTRICTED SECURITY" AS DEFINED IN RULE 144 PROMULGATED UNDER THE ACT. THE NOTE MAY NOT BE SOLD OR OFFERED FOR SALE OR OTHERWISE DISTRIBUTED EXCEPT (i) IN CONJUNCTION WITH AN EFFECTIVE REGISTRATION STATEMENT FOR THE NOTE UNDER THE ACT OR (ii) IN COMPLIANCE WITH RULE 144 OR ANOTHER EXEMPTION FROM THE ACT.

8. Covenants of the Purchasers. Each Purchaser agrees that it will consider in good faith any requests of the Seller that it modify or waive certain of the rights to which it is entitled pursuant to the Transaction Documents and, in the case of Presencia, the Reorganization Agreement, to the extent that such requested modification or waiver is necessary to induce a third party to make a material investment of new capital in the Seller; *provided*, that it is understood and acknowledged by the Seller that a Purchaser will consider such request solely in its own best interests and without regard for the interests of any other Person.

9. Indemnification; Survival.

9.1 Indemnity. The Seller agrees to indemnify, defend and hold harmless each of the Purchasers and PVI Holding, and their respective affiliates, stockholders, directors, officers, partners, employees, agents, successors and assigns from and against all losses, damages, liabilities, deficiencies or obligations, including, without limitation, all claims, actions, suits, proceedings, demands, judgments, assessments, fines, interest, penalties, costs and expenses (including settlement costs and reasonable legal fees) to which any of them may become subject as a result of any and all misrepresentations or breaches of a representation or warranty made by the Seller herein.

9.2 Survival. All representations and warranties made herein by the Seller and the Purchasers shall survive the closing of the transactions contemplated hereby for a period of three (3) years, except as to title to the Seller's property (including Section 4.13), which shall survive forever. Any matter as to which a claim has been asserted by notice to the other party that is pending or unresolved at the end of such survival period shall continue to be covered by this Section 9.2 until such matter is finally terminated or otherwise resolved by the parties under this Agreement or by a court of competent jurisdiction and any amounts payable hereunder are finally determined and paid.

10. Successors and Assigns; Parties in Interest. This Agreement shall bind and inure to the benefit of (a) the Purchasers, (b) the Seller and (c) their respective successors and assigns, including without limitation any Person who succeeds to the rights and properties of the Seller as a result of a merger, consolidation, acquisition of substantially all of the Seller's assets or similar transaction. No party may assign its rights under this Agreement without the consent of the others, which consent shall not be unreasonably withheld; provided, however, that PVI Holding and any Purchaser may assign its rights under Section 9.1 hereof at any time to any Person which it controls; provided, further, that Presencia or PVI Holding shall not require the consent of PVI Holding or Presencia, respectively, or any designee that becomes a party to this Agreement pursuant to an executed joinder agreement in the form attached hereto as Annex B in order to assign its rights under this Agreement.

11. Entire Agreement. This Agreement (as amended from time to time) and the other writings referred to herein or delivered pursuant hereto which form a part hereof contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or understandings with respect thereto. The transactions contemplated hereby are without prejudice to the Purchasers' right to exercise its rights under existing agreements in its sole discretion and absolute best interests and without regard to the interests of any other Person.

12. Notices. All notices or other communications in connection with this Agreement shall be in writing and shall be considered given when personally delivered or when mailed by registered or certified mail, postage prepaid, return receipt requested, or when sent via commercial courier or telecopier, directed, as follows or to such other address as a party may designate by notice:

(a) If to Presencia:

Presencia en Medios, S.A. de C.V.
Palmas # 735-206
Mexico DF 11000
Attn: Eduardo Sitt

With a copy (which shall not constitute notice) to:

Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, NY 10004
Attn: Joseph A. Stern, Esq.
Facsimile: 212-859-4000

(b) If to PVI Holding:

PVI Holding, LLC
c/o Cablevision Systems Corporation
1111 Stewart Avenue
Bethpage, New York 11714
Attn: General Counsel
Facsimile: (516) 803-2577

With copies (which shall not constitute notice) to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attn: Robert W. Downes
Facsimile: (212) 558-3588

(c) If to the Seller

Princeton Video Image, Inc.
15 Princess Road
Lawrenceville, N.J. 08648
Attn: President

With a copy (which shall not constitute notice) to:

Smith, Stratton, Wise, Heher & Brennan, LLP
600 College Road East
Princeton, New Jersey 08540

Each party may, by notice to the other, change the address at which notices or other communications are to be given to it.

13. Changes. The terms and provisions of this Agreement may not be modified or amended, or any of the provisions hereof waived, temporarily or permanently, except pursuant to the consent of the affected party.

14. Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

15. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of laws.


17. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

18. Further Assurances. The parties hereto shall, subsequent to the date hereof, execute and deliver such further documentation, and take such further action, in each case without cost to the other party, as shall be reasonably requested by such other party hereto to further evidence and perfect the completion of the transactions contemplated hereby. The Seller hereby acknowledges that, except as provided in Section 8 hereof, neither the transactions contemplated hereby or anything contained herein or in the documents and agreements being delivered at the Closing will affect the Purchasers' rights under any agreement between it and the Seller in effect on the date hereof, including, without limitation, its right to withhold in its sole discretion its approval of the offering, sale and issuance of equity securities of the Company.

19. Fees and Expenses. Each party shall be responsible for payment of its own fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby; *provided*, however, that Seller shall reimburse each of Presencia and PVI Holding for reasonable fees and expenses of outside counsel incurred in connection with the negotiation of the Transaction Documents, and in the case of PVI Holding for certain fees and expenses incurred in connection with its role as Collateral Agent, up to a maximum aggregate amount of \$25,000 each.

IN WITNESS WHEREOF, the parties hereto have caused this Note Purchase and Security Agreement to be duly executed on their behalf.

PRINCETON VIDEO IMAGE, INC.

By: 
Name: JAMES GREEN
Title: COO

PRESENCIA EN MEDIOS, S.A. DE C.V.

By: _____
Name: _____
Title: _____

PVI HOLDING, LLC

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Note Purchase and Security Agreement to be duly executed on their behalf.

PRINCETON VIDEO IMAGE, INC.

By: _____

Name: _____

Title: _____

PRESENCIA EN MEDIOS, S.A. DE C.V.

By: *Power of Attorney* _____

Name: *Eduardo Siff* _____

Title: *President* _____

PVI HOLDING, LLC

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Note Purchase and Security Agreement to be duly executed on their behalf.

PRINCETON VIDEO IMAGE, INC.

By: _____

Name: _____

Title: _____

PRESENCIA EN MEDIOS, S.A. DE C.V.

By: _____

Name: _____

Title: _____

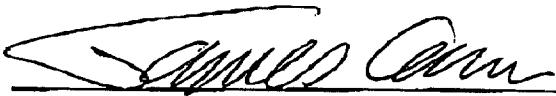
PVI HOLDING, LLC

By: _____ *[Handwritten Signature]* _____ *[Handwritten Initials]*

Name: _____


Princeton Video Image Latin America, L.L.C. is executing this Note Purchase and Security Agreement for the purpose of granting a security interest to the Purchasers in all of its right, title, and interest in, to, and under the membership interest it holds in PVI LA, LLC, a Delaware limited liability company.

PRINCETON VIDEO IMAGE,
LATIN AMERICA, L.L.C.

By: 
Name: JAMES GREEN
Title: C.O.O.

PVI LA, LLC is executing this Note Purchase and Security Agreement for the purpose of granting a security interest to the Purchasers in all of its right, title, and interest in, to, and under the securities it holds in Publicidad Virtual, S.A. de C.V., a company formed under the laws of Mexico.

PVI LA, LLC

By: 
Name: JAMES GREEN
Title: C.O.O.

SCHEDULE A

Description of Collateral

All of the assets, rights and property of the Seller, whether real or personal, tangible or intangible, wherever located, now existing or hereafter acquired, including, without limitation, all of the Seller's right, title, and interest in, to, and under the following, except to the extent that the Seller is subject to any restriction on the transfer, sale, assignment, pledge or hypothecation of such assets, rights and property (any such restriction being referred to as a "*Transfer Restriction*"):

(a) all accounts receivable of the Seller, all prepaid expenses (to the extent transferable to the Purchasers), vendor credits and credit balances and deposits, price adjustments or rights with respect thereto, rebates, and deposits with manufacturers and others;

(b) all monies, reserves, deposits, certificates of deposit and deposit accounts and interest or dividends thereon, securities, investment accounts, cash, cash equivalents, and equity interests in partnerships, limited partnerships, limited liability companies or other entities, and other property now or at any time under the control of the Seller, it being understood that the Seller's interest in, respectively, Princeton Video Image Europe, N.V., Revolution Company, LLC, and Princeton Video Image Israel, Ltd. are subject to Transfer Restrictions;

(c) all real property and leasehold interests in real property, together with all improvements and fixtures thereon and interests therein, any prepaid rent, security deposits and options to renew or purchase thereunder;

(d) all inventory, equipment, machinery, tools, computer systems (including all hardware and software), furniture, trade fixtures, personalty, vehicles, and other personal property, whether owned, leased or otherwise held by the Seller, and all rights of the Seller under or pursuant to all warranties, representations and guaranties made by suppliers, manufacturers and contractors in connection with the products sold to or services provided to the Seller, or affecting the property heretofore described;

(e) all office and other supplies, tools, spare parts, advertising, and promotional materials;

(f) all common law and registered trademarks or copyrights and all license agreements relating thereto and unregistered trademarks or copyrights, logos, service marks, trade dress, trade names and copyrightable words, including without limitation, the name "Princeton Video Image," and all applications, registrations, certificates, Section 8 affidavits (stating that a mark has been in continual use), renewals, investigations, search reports, histories and other documents or files pertaining thereto;

(g) all patents and patent applications, as well as all reissues, divisions, continuations and continuation-in-part applications and any other patents issuing thereon, and all license

agreements and other agreements which relate to inventions and discoveries and any patent applications and patents thereon, as well as improvements therein which are owned, licensed, used or held for use by or on behalf of the Seller;

(h) all technical information and know-how, confidential and non-confidential, which is used or held for use by or on behalf of the Seller, including, without limitation, all inventions, processes, formulae and all discoveries, improvements, trade secrets and confidential data, whether or not patented or patentable and whether or not copyrighted or copyrightable, computer software (including, without limitation, source codes and object codes), software licenses, patterns, plans, designs, research data, trade secrets and other proprietary know-how, formulae and manufacturing, sales, service or other processes, operating manuals, drawings, technology, equipment and parts lists (with related descriptions and instructions), manuals, data, records, procedures, product packaging instructions, product specifications, analytical methods, sources and specifications for raw materials, toxicity and general health and safety information, environmental compliance and regulatory information, research and development records and reports and other documents relating to the foregoing and all licenses, approvals, authorizations or other rights to use intellectual property rights of others;

(i) all of the Seller's rights in and under the agreements to which the Seller is a party, mortgages, instruments, leases for personal property, customer contracts, insurance policies, marketing agreements, joint venture, partnership or similar agreements, and other agreements;

(j) all transferable licenses, permits, filings and other governmental authorizations;

(k) all manufacturer's, supplier's, contractor's and seller's warranties made to the Seller, or affecting the property, machinery or equipment used by the Seller, and all rights of a successor employer for employment tax and unemployment insurance purposes under applicable law (should the Purchasers choose to avail themselves thereof);

(l) blueprints, instruction manuals, maintenance manuals, reports and similar documents;

(m) all right, title and interest of the Seller in and to all Business Information (as defined below) and related books and records used by the Seller in the operation of its business, including, but not limited to, files, computer data, computer discs and tapes, invoices, credit and sales records, personnel records (subject to applicable law), payroll, current and former customer lists (including customer contracts and agreements), current and former supplier lists (including supplier cost information), manuals, drawings, business plans and other plans and specifications, sales literature, current price lists and discounts, promotional signs and literature, marketing and sales programs, manufacturing and quality control records and procedures and any other files and records relating to the Seller's business, whether or not held by the Seller or a third party (collectively, the "Business Information"); provided, however, that the Seller shall have the right to complete access to, and the right to copy the Business Information for any reasonable purpose, including, without limitation, the right to access and copy (i) all business records relating to tax returns or which are reasonably necessary to substantiate all entries on such tax returns or otherwise reasonably necessary in connection with any audit or other examination of such

returns; (ii) all business records which are reasonably required by the Seller to defend against any liabilities, claims or assessments for which the Seller is or may be legally responsible, or for which the Seller is required to indemnify the Purchasers or the Collateral Agent; and (iii) any other records for which the Seller can demonstrate a legitimate need; and

(n) all goodwill of the Seller arising out of or associated with its business.

SCHEDULE B

Princeton Video Image Europe, N.V., a corporation formed under the laws of Belgium. The Seller owns 90% of the outstanding capital stock of Princeton Video Image Europe, N.V.; Interactive Media, S.A. owns the remaining 10% of the outstanding capital stock.

Princeton Video Image Israel, Ltd., a corporation formed under the laws of Israel. The Seller is the owner of 100% of the equity interests in Princeton Video Image Israel, Ltd.

Princeton Video Image Latin America, L.L.C., a New Jersey limited liability company. The Seller is the sole member of Princeton Video Image Latin America, L.L.C.

PVI LA, LLC, a Delaware limited liability company. Princeton Video Image Latin America, L.L.C. is the sole member of PVI LA, LLC. The Seller is the indirect owner of all outstanding equity interests in this company.

Publicidad Virtual, S.A. de C.V., a company formed under the laws of Mexico. The Seller owns 5% of the outstanding capital stock of Publicidad Virtual, S.A. de C.V.; PVI LA, LLC owns the remaining 95% of the outstanding capital stock. The Seller is the indirect owner of all outstanding equity interests in Publicidad Virtual, S.A. de C.V.

Publicidad Virtual, S.A. de C.V. owns all the equity interests in Publicidade Virtual Latina America L.T.D.A., a company formed under the laws of Brazil.

Revolution Company, L.L.C., a Delaware limited liability company. The Seller owns a 25% interest in the Revolution Company, L.L.C., with CBS Technology Corporation owning 40% and Core Digital Technologies, Inc. owning 35%.

SCHEDULE C

U.S. Patents.

Patent No. 5,264,933, which relates to basic pattern recognition video insertion technology, was issued on November 23, 1993, will expire on January 28, 2012 and was assigned to the Seller on January 22, 1992.

Patent No. 5,543,856, which relates to the use of remote insertion of images that might be useful in a narrow casting application, was issued on August 6, 1996, will expire on October 27, 2013 and was assigned to the Seller on October 22, 1993.

Patent No. 5,627,915, which relates to a pattern recognition system using templates, was issued on May 6, 1997, will expire on January 31, 2015, and was assigned to the Seller on January 30, 1995.

Patent No. 5,808,695, which relates to a method of tracking scene motion for live video insertion systems, was issued on September 15, 1998 and will expire on December 29, 2015 and was assigned to the Seller on December 27, 1995.

Patent No. 5,892,554, which relates to inserting live and moving objects into scenes, was issued to the Seller on April 6, 1999, will expire on November 28, 2015, and was assigned to the Seller on March 31, 1998.

Patent No. 5,953,076, which relates to techniques for occlusion processing, was issued on September 14, 1999 and will expire on June 12, 2016.

Patent No. 6,100,925, which relates to techniques for combining camera sensors with image processing, was issued on August 8, 2000, and will expire on November 25, 2017.

Patent No. 6,184,937, which relates to audio enhancement of the inserts, was issued on February 20, 2001 and will expire on March 14, 2017.

U.S. Trademarks.

L-VIS ®, C-TRAK ®, i-Point ™

Foreign Patents and Trademarks

Australia Patent No. 687,086

Spain Patent Nos. 0746942, 0792068, 595808

France Patent Nos. 0746942, 0796541, 0792068

UK Patent Nos. 0746942, 0792068, 595808

Italy Patent No. 0746942, 0792068, 0796541, 595808, 3166173

Japan Patent Nos. 3058691, 3155173

Luxemburg Patent No. 0746942

Mexico Patent Nos. 188,649, 183,569, 194066, 196502

Netherlands Patent No. 0746942, 0792068, 595808, 0796541

New Zealand Patent No. 271237

Peru Patent No. 858

Russia Patent No. 2144279

Australia Patent No. 698648

Europe Patent Nos. 0792068, 0796541, 595808

Greece Patent Nos. 3032500, 3031285, 3030996, 0792068

Sweden Patent Nos. 792,063, 596,541, 595,808, 0792068, 595808

Argentina Patent Nos. AR 252895 V1, AR 002497 B1, AR 002498

Singapore Prwnr Nos. 50,533, 40,825

Belgium Patent Nos. 0792068, 595808

Germany Patent No. 69421554.6-08, 595808, 69602515.9-08

Licensed Rights to the Seller

License granted pursuant to the Research Agreement between the Seller and David Sarnoff Research Center, Inc. dated November 4, 1990, as amended, subject to the exception set forth in Section 4.7(e) hereof.

License granted pursuant to the License Agreement between the Seller and Theseus Research, Inc. dated December 18, 1995.

Licenses granted pursuant to the Cross-License Agreement among the Seller, Sportvision, Inc. and the others named therein dated as of July 29, 2002.

Applications.

Chile Applications No. 153-96

EU Application No. 96905244.8

Venezuela Application No. SN 145-96

Brazil Application No. SN P19405641-2

Canada Application No. 2,175,038

Chile Application No. 1575-94

China Application No. 941 93937.5

Germany Application No. 69409407.2-08

EU EPO Application No. 94924588.0, priority date of 10/27/93, grant issued 2/19/98; validated in 10 European countries.

Korea Application No. SN 96-702,186

Singapore Application No. 9604188-4

Belgium Validation of 3780.107.1, unknown status

Germany Application No. 6942155472

Spain validation application of 3780-107.1, Patent No. 0792068

France validation application of 3780-107.1, Patent No. 0792068

Italy Application No. 19816BE/2000

Netherlands validation application of 3780-107.1EP, Patent No. 0792068

Chile Application No. 1224-93

Germany validation of EP 3780-109, EPO Application No. 9191562.8

Spain validation of EP 3780-109, EPO Application No. 9191562.8

France validation of EP 3780-109, EPO Application No. 9191562.8

UK validation of EP 3780-109, EPO Application No. 9191562.8

Italy validation of EP 3780-109, EPO Application No. 9191562.8

Netherlands Certification of Domicile on EP 3780-109, EPO Application No. 9191562.8

Singapore Application "Television Displays Having Selected Inserted Displays",
coincides with EP 3780-109, EPO Application No. 9191562.8

Argentina Application based on U.S. Patent 5,892,554

Brazil Application No. 9609169

Chile SN 1067-96, 1068-96

EU EPO Application No. 96921559.9

Japan Application based on U.S. Patent 5,892,554

Peru SN 00457.96

Brazil Application No. 9608944.

Germany validation of EPO Application No. 96921560.7 (Patent No. 0796541)

Spain validation of EPO Application No. 96921560.7 (Patent No. 0796541)

France validation of EPO Application No. 96921560.7 (Patent No. 0796541)

UK validation of EPO Application No. 96921560.7 (Patent No. 0796541)

Italy validation of EPO Application No. 25686BE/99

Japan Application No. 9-503299

Netherlands validation of EPO Application No. 96921560.7 (Patent No. 0796541)

Brazil application based on U.S. Application No. PCT/US97/04083

EU EPO Application No. 97915980.3

Japan Application No. 09-538866, laid open as No. 2000-509236

Mexico Application No. 988,955

Brazil Application No. 9714971-3

EU EPO Application No. 97949613.0

Japan Application No. 10-524822

Mexico Application No. 99-4772

U.S. Application No. 09/308,949, Motion Tracking Using Image-Texture Templates

EU Application No. PCT/US97/21608, Motion Tracking Using Image-Texture Templates

U.S. Application No. 09/331,332, Set Top Device Enhanced for Targeted Electronic
Insertion Into Video

Brazil Application No. 9714970-5

China Application No. 97180124.X

EU EPO Application No. 97948522.4

Japan Application No. 10-524821

Mexico Application No. 99-4800

Brazil Application No. SN 9714949-7

EU EPO Application No. 97952519.3

Japan Application No. 10-528931

Mexico Application No. 99-5800.

EU Application No. PCT/US99/01399, Event Linked Insertion of Indicia Into Video

Argentina Application No. P99 01 03639

Brazil Application No. P19907194-0

Chile Application No.1999-1844

EU filed

Mexico SN 7169

Japan filed by Mikio Hatta

U.S. Patent Application No. 09/600,768

U.S. Provisional Application No. 60/115,666

U.S. Provisional Application No. 60/129,812, Method and Apparatus to Overlay Comparative Time Determined Positional Data in a Video Display (inactive provisional)

U.S. Application No. 09/551,824, Method and Apparatus to Overlay Comparative Time Determined Positional Data in a Video Display

EU PCT/US00/10012, Method and Apparatus to Overlay Comparative Time Determined Positional Data in a Video Display (European counterpart)

U.S. Application No. 09/734,710 (from Provisional 60/170,394) 2-D/3-D Recognition/Tracking Algorithm for Soccer Application

EU PCT/US00/33672, 2-D/3-D Recognition/Tracking Algorithm for Soccer Application (European counterpart)

U.S. Provisional Application 60/170,398, System and Method of Real Time Insertion Into Video With Occlusion on Area Containing Multiple Colors (inactive provisional)

U.S. Application No. 09/734,709, System and Method of Real Time Insertion Into Video With Occlusion on Area Containing Multiple Colors (from provisional SN 60/170,398)

U.S. Application No. 09/230,099, Image Insertion In Video Streams Using a Combination of Physical Sensors and Pattern Recognition

EU Application No. PCT/US97/21607, Image Insertion In Video Streams Using a Combination of Physical Sensors and Pattern Recognition

EU Application No. PCT/US97/04083, Audio Enhanced Electronic Insertion of Indicia Into Video

EU Application No. PCT/US96/10166, System and Method of Real Time Insertions Into Video Using Adaptive Occlusion With a Synthetic Reference Image

EU Application No. PCT/US96/10163, System and Method for Inserting Static and Dynamic images Into a Live Video Broadcast

EU Application No. PCT/US96/10164, Method for Tracking Scene Motion for Live Video Insertion Systems

EU Application No. PCT/US96/01125, Live Video Insertion System Including Template Matching

EU Application No. PCT/US94/08863, Downstream Control of Electronic Billboard

EU Application No. PCT/US91/05174, Television Displays Having Selected Inserted
Indicia

EPO Application No. 00922186.2, Method To Overlay Comparative Time Determined
Positional Data in a Video Stream

U.S. Provisional Application No. 10/115,136, A System for Implanting an Image into a
Video Stream

EPO Application No. 00922186.2, A System for Implanting an Image into a Video
Stream

Korea Application No. 95-702186

U.S. Provisional Application No. 60/000279, Inserting Static and Dynamic Images into
Live Video

EPO Application No. 96911559.9, Inserting Static and Dynamic Images into Live Video

Japan Application No. 9-503297

U.S. Provisional Application No. 60/031883, Camera Tracking

U.S. Provisional Application No. 60/038143, Image Insertion

U.S. Provisional, Application No. 60/034517, Set Top Device

EPO Application No. 99905457.1-2202, Event Linked Insertion

Japan Application No. 2000-529081, Event Linked Insertion

U.S. Provisional Application No. 60/072354, Event Linked Insertion

U.S. Application No. 09/482,440

Brazil Application No. 9610777, Method of Tracking

Japan Application No. 9-50398, Method of Tracking

Mexico Application No. 9710192, Method of Tracking

Brazil Application No. PI9709751-9, Enhanced Audio

Subsidiaries' Intellectual Property

Princeton Video Image Israel, Ltd., acquired the following patents from SciDel Technologies, Ltd. ("SciDel"), in February 2002.

U.S Patents

Patent No. 5,491,517, which relates to recognizing a known pattern on the field, was issued on February 13, 1996 and the rights to which were

Patent No. 5,731,846 is a continuation of 5,491,517 above which relates to recognizing a known pattern on the field, was issued on March 24,1998 and the rights to which were acquired by Princeton Video Image Israel, Ltd. from SciDel in February 2002.

Foreign Patents

Australia Patent No. 692,529

Bulgaria Patent No. 61,114

Czech Republic No. 286,248

Israel Patent Nos. 108,957, 103,002, 115,288

India Patent No. 1,834,210

Korea Patent No. 260,786

Latvia Patent No. 11,716

New Zealand Patent No. 282,275

Poland Patent No. 176,135

Taiwan Patent No. NI 105,845

Vietnam Patent No. 923

South Africa Patent No. 95/1403

Mexico Patent No. 195500

Singapore Patent No. 34,536

Hungary Patent No. 22049

EPO Patent No. 0750819

Applications

Japan Application No. 7-524038

Philippines Application No. 50053

Australia Application Nos. 10511/99

EPO Application No. 98952997.9

Hong Kong Application No. 00102275.2

Israel Application No. 122194

U.S. Application No. 09/351,329

Canada Application No. 2,179,031

Norway Application No. P963811

ANNEX A

FORM OF CONVERTIBLE PROMISSORY NOTE

THIS CONVERTIBLE PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND IS A "RESTRICTED SECURITY" AS DEFINED IN RULE 144 PROMULGATED UNDER THE ACT. THE NOTE MAY NOT BE SOLD OR OFFERED FOR SALE OR OTHERWISE DISTRIBUTED EXCEPT (i) IN CONJUNCTION WITH AN EFFECTIVE REGISTRATION STATEMENT FOR THE NOTE UNDER THE ACT OR (ii) IN COMPLIANCE WITH RULE 144 OR ANOTHER EXEMPTION FROM THE ACT.

PRINCETON VIDEO IMAGE, INC.
CONVERTIBLE PROMISSORY NOTE

\$1,500,000

Lawrenceville, New Jersey
_____, 2003

1. *Obligation.* Princeton Video Image, Inc., a Delaware corporation ("Maker"), promises to pay to the order of _____ ("Payee"), the principal sum of _____ (\$_____), plus interest at the rate specified herein. The unpaid principal from time to time outstanding shall bear interest prior to maturity at an annual rate of interest equal to 10% per annum. Interest hereon shall be compounded semi-annually based on the actual number of days elapsed from _____, 2003.

2. *Maturity Date.* The unpaid principal balance of this Convertible Note and all accrued interest thereon (together, the "Convertible Debt") shall be due and payable in arrears in full on July 31, 2003 or, at the option of Payee, such later date on or before July 31, 2005 as Payee shall specify in writing to Maker on or before June 30, 2003 (either date, the "Maturity Date").

3. *Conversion.*

(a) By Payee. Upon the terms set forth in this Section 3(a), Payee shall have the right, at its option, at any time prior to Maker's repayment of this Convertible Note, to convert the Convertible Debt, in whole or in part, into the number of fully paid and nonassessable shares of Maker's common stock equal to the quotient obtained by dividing the Convertible Debt by the Conversion Price (as defined below). Payee may exercise the conversion right pursuant to Section 3(a) by delivering to Maker, at the address set forth below, written notice stating that Payee elects to convert the Convertible Debt and stating the name or names (with address) in which the certificate or certificates for the shares of common stock are to be issued. Conversion shall be deemed to have been effected on the date when such delivery is made (the "Effective Date"). As promptly as practicable thereafter, Maker shall issue and deliver to Payee, to the place designated by Payee, a certificate or certificates for the number of full shares of common stock to which Payee is entitled and cash in payment of the portion of the Convertible Debt represented by any fractional interest in a share of common stock and a new convertible promissory note representing any portion of this Convertible Note not so converted. The person in whose name the certificate or certificates for common stock are to be issued shall

be deemed to have become a holder of record of such common stock on the Effective Date unless the transfer books of Maker are closed on that date, in which event such person shall be deemed to have become a stockholder of record on the next succeeding date on which the transfer books are open, but the Conversion Price shall be that in effect on the Effective Date. As promptly as practicable following the Effective Date, and upon receipt of a new convertible note, if applicable, Payee shall deliver to Maker this Convertible Note marked "Cancelled", *provided*, however, that this Convertible Note shall be deemed cancelled and the Convertible Debt shall cease to be outstanding as of the Effective Date, whether or not this Convertible Note has been actually delivered to Maker.

(b) Conversion Price; Adjustment.

(i) As used herein, prior to the consummation of the first New Financing (as hereinafter defined) following the issuance hereof, "Conversion Price" shall mean \$.75 and following the consummation of such New Financing, "Conversion Price" shall mean \$2.50, in each case as adjusted from time to time pursuant to the provisions hereof.

(ii) Upon the happening of an Extraordinary Common Stock Event (as hereinafter defined), the Conversion Price then in effect shall, simultaneously with the happening of such Extraordinary Common Stock Event, be adjusted by multiplying the then effective Conversion Price by a fraction, the numerator of which shall be the number of shares of common stock outstanding immediately prior to such Extraordinary Common Stock Event and the denominator of which shall be the number of shares of common stock outstanding immediately after such Extraordinary Common Stock Event, and the product so obtained shall thereafter be the Conversion Price. The Conversion Price, as so adjusted, shall be readjusted in the same manner upon the happening of any subsequent Extraordinary Common Stock Event or Events. As used herein, the term "Extraordinary Common Stock Event" shall mean (A) a subdivision of outstanding shares of common stock into a greater number of shares of common stock (*i.e.*, a stock split), (B) a combination of outstanding shares of common stock into a smaller number of shares of common stock (*i.e.*, a reverse stock split) or (C) the payment of a dividend in shares of common stock.

(c) Capital Reorganization or Merger. In the event of any capital reorganization of Maker, any reclassification of the stock of Maker (other than a change in par value or from no par value to par value or from par value to no par value or as a result of a stock dividend or subdivision, split-up or combination of shares), or any consolidation or merger of Maker, the Convertible Debt shall, after such reorganization, reclassification, consolidation, or merger, be convertible into the kind and number of shares of stock or other securities or property of Maker or of the entity resulting from such consolidation or surviving such merger to which Payee would have been entitled had the Convertible Debt been converted (immediately prior to the time of such reorganization, reclassification, consolidation or merger). The provisions of this Section 3(c) shall similarly apply to successive, reorganizations, reclassifications, consolidations or mergers. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 3(c) with respect to the rights of Payee after the capital reorganization to the end that the provisions of this Section 3(c) (including adjustment of the Conversion Price

then in effect and the number of shares issuable upon conversion of the Convertible Debt) shall be applicable after that event and be as nearly equivalent as practicable.

(d) New Financing. Notwithstanding anything to the contrary contained herein, in the event that Maker sells (a "New Financing") any security (equity, debt or otherwise) of Maker (a "New Security") at any time while this Convertible Note is outstanding, the Convertible Debt shall, after such New Financing, be convertible, at the option of Payee, into the kind and number of shares of the New Security, on such terms and conditions (including any warrants or other consideration received by the purchasers in the New Financing) as the New Security is sold in the New Financing, subject to all of the terms of the New Financing; *provided*, however, that if the New Security is common stock of Maker or a security convertible into such common stock, the price per share of common stock (within the meaning of the rules of the Nasdaq Stock Market or such other market, exchange or automated quotation system on which Maker's common stock is then listed or trading as the case may be) at which the Convertible Debt may be converted into the New Security shall not be less than \$_____ [INSERT GREATER OF (1) MARKET PRICE ON THE DATE OF THIS CONVERTIBLE NOTE OR (2) LOWEST PRICE THAT WOULD NOT RESULT IN ANY HOLDER NOT HOLDING 20% OF PVI BEFORE ISSUANCE OF THE NOTE HOLDING SUCH PERCENTAGE OF PVI AFTER ISSUANCE, ASSUMING CONVERSION OF THE NOTE] (the "Minimum Conversion Price"). The price of a New Security shall be determined on the basis of an appropriate allocation of consideration paid by the purchasers of such New Security between the New Security and other benefits, if any (as such allocation is determined and reported in Maker's financial statements in consultation with Maker's outside auditors). Without the consent of Payee, Maker shall not consummate any New Financing regarding a New Security that is common stock of Maker or a security convertible into common stock of Maker for less than the Minimum Conversion Price. If Maker consummates more than one New Financing during the period that this Convertible Note is outstanding, Payee shall have the right to convert the Convertible Debt under the terms of any such New Financings at any time (even if later New Financings were done on different terms or prices). Notwithstanding anything to the contrary contained herein, as used herein, the term "New Financing" shall not include the sale or transfer of securities (i) designated by vote of Maker's board of directors to Maker's employees, consultants, vendors or others in exchange for services rendered in the ordinary course of business, (ii) as a result of any stock split, stock dividend, or reclassification of Maker's common stock, distributed on a pro rata basis to all holders of Maker's common stock, (iii) as a result of a merger, consolidation or reorganization approved by Maker's board of directors, or (iv) in an amount not to exceed, with respect to all issuances in connection with Strategic Transactions (as hereinafter defined), an aggregate of 500,000 shares of common stock, including shares of common stock issuable upon the conversion of other securities, issued as a commercially reasonable inducement to enter into a Strategic Transaction. The conversion rights set forth in this Section 3(d) are in addition to, and not in substitution for, the rights set forth in Section 3(a). As used herein, "Strategic Transaction" shall mean a transaction the main purpose of which, as determined by Maker's Board of Directors, is to generate material sales revenue for Maker (and not for the purpose of raising equity or other financing).

(e) Notice.

(i) If Maker shall propose to take any action of the types described in Sections 3(b) or 3(c) above, Maker shall give notice to Payee which shall specify the record date, if any, with respect to any such action and the date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Conversion Price and the number, kind or class of shares or other securities or property which shall be deliverable or purchasable upon the occurrence of such action or deliverable upon conversion of the Convertible Debt. In the case of any action which would require the fixing of a record date, such notice shall be given at least ten (10) days prior to the date so fixed, and in case of all other action, such notice shall be given at least ten (10) days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(ii) If Maker shall propose to enter into a New Financing as described in Section 3(d) above, Maker shall give notice to Payee which shall specify the terms and conditions of such New Financing including, without limitation, the number, kind or class of shares or other securities or property which shall be deliverable or purchasable in the New Financing, the nature of the transfer, the sale price and the type of consideration to be paid. Such notice shall be given at least ten (10) days prior to the closing of the New Financing; *provided*, however, that the failure to give such notice, or any defect therein, shall not delay such closing or affect the legality or validity of the actions taken at such closing.

(f) Reservation of Common Stock and New Securities. Maker shall reserve, and at all times from and after the date hereof keep reserved, free from preemptive rights, out of its authorized but unissued shares of common stock, solely for the purpose of effecting the conversion of the Convertible Debt, sufficient number of shares of common stock to provide for the conversion of the Convertible Debt pursuant to Section 3(a) hereof. Following the consummation of any New Financing, Maker shall reserve, and at all times from and after the date thereof keep reserved, free from preemptive rights, out of its authorized but unissued shares of the applicable New Security, solely for the purpose of effecting the conversion of the Convertible Debt, sufficient number of shares of such New Security to provide for the conversion of the Convertible Debt pursuant to Section 3(d) hereof.

4. *Prepayment.* Maker may prepay the Convertible Debt, in whole or in part, without premium or penalty of any kind, at any time; *provided*, however, that Maker gives Payee thirty (30) days prior notice of its intent to prepay and Payee shall retain the option to convert the Convertible Debt in accordance with Section 3 during such thirty (30) day period. Such prepayments shall be applied to principal or interest at the election of Maker.

5. *Event of Default.*

(a) The occurrence of any of the following (whatever the reason for such occurrence and whether it shall be voluntary or involuntary or be effected by operation of law or

pursuant to any judgment, decree or order of any court or any order, rule or regulation of any government body) shall constitute an "Event of Default" under this Convertible Note:

(i) Maker fails to pay any or all of the Convertible Debt on the Maturity Date;

(ii) Maker fails to comply with any provision of this Convertible Note, the Note Purchase and Security Agreement, dated February 18, 2003, by and among Presencia en Medios, S.A. de C.V. ("Presencia"), PVI Holding, LLC ("Holding"), as creditor and collateral agent, and Maker (the "Note Purchase Agreement"), or the Note Purchase and Security Agreement, dated June 25, 2002, between Maker and Holding (the "June Note Purchase Agreement") and such failure is not cured within thirty (30) days of notice of such breach, *provided* that if such failure cannot reasonably be cured within such thirty (30) days period, such period shall be extended for thirty (30) days so long as Maker is diligently pursuing a cure;

(iii) Maker commences any voluntary proceeding under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, receivership, dissolution or liquidation law or statute, of any jurisdiction, whether now or subsequently in effect; or Maker is adjudicated insolvent or bankrupt by a court of competent jurisdiction; or Maker petitions or applies for, acquiesces in, or consent to, the appointment of any receiver or trustee of Maker or for all or substantially all of its property or assets; or Maker makes an assignment for the benefit of its creditors; or Maker admits in writing its inability to pay its debts as they mature;

(iv) There is commenced against Maker any proceeding relating to Maker under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, receivership, dissolution or liquidation law or statute, of any jurisdiction, whether now or subsequently in effect, and the proceeding remains undismissed for a period of sixty (60) days or Maker by any act indicates its consent to, approval of, or acquiescence in, the proceeding; or a receiver or trustee is appointed for Maker or for all or substantially all of its property or assets, and the receivership or trusteeship remains undischarged for sixty (60) days; or

(v) An Event of Default (as defined therein) occurs under either the amended and restated convertible promissory note issued by Maker on the date hereof to PVI Holding, LLC ("Holding") or any other convertible promissory note issued by Maker pursuant to the June Note Purchase Agreement.

(b) Except as provided for in the intercreditor agreement, dated as of the date hereof, between Payee and Holding (the "Intercreditor Agreement"), upon an Event of Default (other than an Event of Default specified in clause (iii) or (iv) above) Payee may, at Payee's option and without notice, declare all of the Convertible Debt to be due and payable immediately. Upon an Event of Default specified in clause (iii) or (iv) above, the Convertible Debt shall become automatically due and payable immediately without notice or other action on the part of Payee. Except as provided for in the Intercreditor Agreement, Payee may waive any default before or after it occurs and may restore this Convertible Note in full effect without impairing the right to declare it due for a subsequent default.

6. *Waiver of Presentment and Notice of Dishonor.* Maker and all others who may at any time be liable hereon in any capacity, jointly and severally, waive presentment for payment, demand, notice of nonpayment, notice of protest, protest of this Convertible Note and other notices of any kind.

7. *Taxes and Expenses.* Maker shall pay any and all taxes, duties, fees and other costs arising out of enforcing or converting this Convertible Note or that may be payable in respect of any issuance or delivery of shares of common stock or other securities issued or delivered upon conversion of this Convertible Note.

8. *Transfer.* Subject to its compliance with applicable laws, Payee shall be able to offer, sell, contract to sell or otherwise dispose of this Convertible Note in full but not in part, *provided*, that the transferee agrees to be bound by the terms contained herein and in the Intercreditor Agreement *and provided further*, that Payee simultaneously transfers to the transferee any other convertible promissory note of Maker issued to Payee by Maker pursuant to the Note Purchase Agreement. In the event of the transfer of this Convertible Note, the term "Payee" as used herein shall refer to the transferee or the original Payee as the context requires.

9. *Amendment.* Subject to the terms of the Intercreditor Agreement, this Convertible Note may not be changed orally, but only by an agreement in writing signed by the parties against whom enforcement of any waiver, change, modification, or discharge is sought.

10. *Related Agreements.* This Convertible Note is subject and entitled to all of the terms and conditions set forth in the Note Purchase Agreement and in the Intercreditor Agreement.

11. *Governing Law.* The validity, interpretation and enforcement of this Convertible Note, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New York (without giving effect to principles of conflicts of law).

12. *Notices.* All notices or other communications in connection with this Convertible Note shall be in writing and shall be considered given when personally delivered or when mailed by registered or certified mail, postage prepaid, return receipt requested, or when sent via commercial courier or telecopier, directed, as follows or to such other address as a party may designate by notice:

(a) If to Payee:

With a copy (which shall not constitute notice) to:

(b) If to Maker:

Princeton Video Image, Inc.

15 Princess Road
Lawrenceville, N.J. 08648
Attn: President
Facsimile: (609) 912-0044

With a copy (which shall not constitute notice) to:

Smith, Stratton, Wise, Heher & Brennan, LLP
600 College Road East
Princeton, New Jersey 08540
Attn: Richard J. Pinto, Esq.
Facsimile: (609) 987-6651

Each party may, by notice to the other, change the address at which notices or other communications are to be given to it.

* * * * *

IN WITNESS WHEREOF, Maker has caused this Convertible Note to be executed in its corporate name by the signature of its duly authorized officer.

PRINCETON VIDEO IMAGE, INC.

By: _____

ANNEX B

FORM OF JOINDER AGREEMENT

By its execution of this Joinder Agreement, the undersigned:

(1) will be bound by, and have the benefit of, the terms of that certain:

(a) Note Purchase and Security Agreement, dated February 18, 2003 (the "Purchase Agreement"), by and among Princeton Video Image, Inc. ("PVI"), Presencia en Medios, S.A. de C.V. ("Presencia") and PVI Holding, LLC ("PVI Holding"), as a Purchaser (as such term as defined in the Purchase Agreement) and a party thereto and

(b) Intercreditor Agreement, dated February 18, 2003, by and between PVI Holding and Presencia, as a Creditor (as such term is defined in such Intercreditor Agreement) and a party thereto.

(2) makes to PVI, those representations and warranties set forth in Section 7 of the Purchase Agreement.

(3) agrees that, notwithstanding anything to the contrary contained in the Purchase Agreement or the Convertible Notes (as defined in the Purchase Agreement), it:

(a) will not exercise any of its rights under the Purchase Agreement, including without limitation those rights set forth in Section 6 thereof, or take any action thereunder unless such rights or actions are also taken by Presencia under the Purchase Agreement, provided, however, that the foregoing restriction shall not apply to conversion of the Convertible Note issued to it pursuant to Section 3 of such Convertible Note; and

(b) will be deemed to have: (i) consented to the taking of any action for which its prior consent is required under the Purchase Agreement or the Convertible Notes, (ii) waived any rights under the Purchase Agreement or the Convertible Notes, and (iii) agreed to any modification or amendment of the Purchase Agreement or the Convertible Notes, to the extent that Presencia has consented to such action, waived such rights or agreed to such modification or amendment; and

(c) will, if Presencia converts the Presencia Convertible Note (as defined below) convert the Convertible Debt in the same proportion on the same terms and conditions and for the same consideration as the conversion is effected under the Presencia Convertible Note; and

(d) will, if Presencia extends the Maturity Date (as defined in the Presencia Convertible Note) of the Presencia Convertible Note, extend the Maturity Date of the Convertible Note issued to it to the same date.

(4) acknowledges and agrees that, notwithstanding anything to the contrary contained in the Purchase Agreement, the Convertible Note to be delivered to the undersigned will include the following language:

"13. *Certain Restrictions.*

(a) Notwithstanding anything to the contrary contained herein,

(i) Payee may not exercise any of its rights under this Convertible Note, including without limitation those rights set forth in Section 5(b) hereof, or take any other action hereunder, unless such rights or actions are also exercised or taken by Presencia en Medios, S.A. de C.V. ("Presencia") under any convertible promissory note issued by Maker to Presencia pursuant to the Note Purchase and Security Agreement, dated February 18, 2003, by and among Princeton Video Image, Inc., Presencia and PVI Holding, LLC on February 18, 2003 (any such convertible promissory note being referred to herein as a "Presencia Convertible Note") provided, however, that the foregoing restriction shall not apply to conversion of this Convertible Note by Payee pursuant to Section 3 hereof;

(ii) Payee will be deemed to have: (i) consented to the taking of any action for which its prior consent is required under this Convertible Note, (ii) waived any rights under this Convertible Note, and (iii) agreed to any modification or amendment of this Convertible Note, to the extent that Presencia has consented to such action, waived such rights or agreed to such modification or amendment under a Presencia Convertible Note.

(iii) Payee will, if Presencia converts the Presencia Convertible Note, convert the Convertible Debt in the same proportion and on the same terms and conditions and for the same consideration as the conversion is effected under the Presencia Convertible Note; and

(iv) Payee will, if Presencia extends the Maturity Date (as defined in the Presencia Convertible Note) of the Presencia Convertible Note, extend the Maturity Date of the Convertible Note issued to it to the same date.

(b) If the Presencia Convertible Note ceases to be outstanding as a result of Maker's payment to Presencia of all amounts due and owing under the Presencia Convertible Note, then Payee shall thereafter be entitled to receive, and Maker shall be required to pay, all amounts due and owing under this Convertible Note in accordance with the terms and conditions set forth herein.

* * * * *

IN WITNESS WHEREOF, the undersigned has caused this Joinder Agreement to be duly executed on its behalf.

PURCHASER.

By: _____

Name: _____

Title: _____

Accepted and Agreed
to this ___ day of February, 2003.

PRINCETON VIDEO IMAGE, INC.

By: _____

Name: _____

Title: _____