

Asset Purchase Agreement

between

Pyng Medical Corp.

and

Bio Cybernetics International

made as of

May 31, 2008

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Exhibits

- A - Form of Bill of Sale
- B - Form of Assignment and Assumption Agreement
- C - Form of Company Counsel's Legal Opinion
- D - Form of Buyer Counsel's Legal Opinion

ASSET PURCHASE AGREEMENT

This **ASSET PURCHASE AGREEMENT** (this "*Agreement*") is made as of May 31, 2008 between Pyng Medical Corp., a British Columbia corporation ("*Buyer*"), and Bio Cybernetics International, a California corporation (the "*Company*").

Recitals

WHEREAS, the Company is currently engaged in the business of development and commercialization of medical trauma products which includes solely the following products: (i) a pelvic stabilizer/immobilizer (referred to as the Trauma Pelvic Orthotic Device or "*TPOD*"); (ii) a one-hand tourniquet utilized for the treatment of arterial bleed-out (referred to as the Mechanical Advantage Tourniquet or "*MAT*"); and (iii) a cricothyroidotomy device currently in a research and development phase (referred to as the "*CRIC*") (the "*Business*").

WHEREAS, the Company desires to sell, and Buyer desires to buy all assets of the Company solely related to the Business and Buyer is willing to assume the Assumed Liabilities (as hereinafter defined) on the terms and subject to the conditions set forth in this Agreement.

WHEREAS, Buyer and the Company have agreed to enter into certain agreements to be performed after the Closing, as hereinafter provided.

NOW, THEREFORE, in consideration of the mutual representations, warranties and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

I. Definitions

"*Active Employee*" means any employee employed as of the date of this Agreement or on the Closing Date by the Company, including employees on temporary leave of absence, temporary disability or sick leave.

"*Admitted Claim*" has the meaning set forth in Section 9.1(e).

"*Affiliate*" means with respect to any Person, any other Person, which directly or indirectly controls, is controlled by or is under common control with such Person.

"*Ancillary Agreements*" means the Novation Agreement, the Assignment and Assumption Agreement in the form of *Exhibits B*, the bill of sale in the form of *Exhibit A*, the transfer document delivered under Section 2.7(b)(i)G, and the Escrow Agreement.

"*Basket Amount*" has the meaning set forth in Section 9.1(b).

"*business day*" means a day other than Saturday, Sunday or any day on which banks located in the State of California are authorized or obligated to close.

"*Business Financial Statements*" has the meaning set forth in Section 3.5.

"Business Working Capital" means an amount, determined as of the close of business on the Closing Date, equal to (a) those Acquired Assets that are current assets, including, without limitation, Inventory (other than inventory which are materially impaired as determined in good faith by the parties hereto), and Receivables less (b) Assumed Liabilities that are current liabilities, in all cases determined in accordance with GAAP and consistent with the Company's past practice in respect of the Business

"Buyer Claim" has the meaning set forth in Section 9.1(e).

"Buyer Indemnified Parties" has the meaning set forth in Section 9.3(a).

"Buyer Losses" has the meaning set forth in Section 9.1(a).

"Code" means the Internal Revenue Code of 1986, as amended.

"Company Basket Amount" has the meaning set forth in Section 9.2(b).

"Company Contract" means, other than a Contract, a contract, agreement, lease, commitment or binding understanding, whether oral or written, that is in effect as of the date of this Agreement or on the Closing Date.

"Company Losses" has the meaning set forth in Section 9.2(a).

"Confidentiality Agreement" means the Nondisclosure Agreement dated September 27, 2007 between Buyer and the Company.

"Confidential Information" has the meaning set forth in Section 5.11.

"Consent" means any authorization, consent, approval, filing, waiver, exemption or other action by or notice to any Person.

"Contract" means, in all respects solely related to the Business, a contract, agreement, lease, commitment or binding understanding, whether oral or written, that is in effect as of the date of this Agreement or on the Closing Date.

Contract number redacted.

"CRIC Agreement" means that certain Award/Contract [REDACTED] dated August 27, 2007 between the Company and the United States of America concerning the CRIC.

"Disclosure Schedule" means the Schedule delivered by the Company to Buyer on or prior to the date of this Agreement as updated on the Closing Date.

"Encumbrance" means any charge, claim, easement, covenant, condition, equitable interest, lien, option, pledge, security interest, right of first refusal or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

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

"Escrow Agreement" means that certain Escrow Agreement dated as of April 9, 2008 between Buyer, Company and Escrow Holder relating to the Escrow Funds.

"Escrow Funds" mean the \$150,000.00 deposited by Buyer with the Escrow Holder pursuant to the Escrow Agreement, together with all earnings thereon.

"Escrow Holder" means U.S. Bank National Association, a national banking association.

"GAAP" means United States generally accepted accounting principles, as in effect from time to time, consistently applied with respect to prior periods.

"Governmental Authorization" means any approval, consent, license, permit, waiver, registration or other authorization issued, granted, given, made available or otherwise required by any Governmental Entity or pursuant to Law.

"Governmental Entity" means any federal, state, local, foreign, international or multinational entity or authority exercising executive, legislative, judicial, regulatory, administrative or taxing functions of or pertaining to government.

"Governmental Order" means any judgment, injunction, writ, order, ruling, award or decree by any Governmental Entity or arbitrator.

"Intellectual Property Rights" means (i) rights in patents, patent applications and patentable subject matter, whether or not the subject of an application, (ii) rights in trademarks, service marks, trade names, trade dress and other designators of origin, registered or unregistered, (iii) rights in copyrightable subject matter or protectable designs, registered or unregistered, (iv) trade secrets, (v) rights in internet domain names, uniform resource locators and e-mail addresses, (vi) rights in semiconductor topographies (mask works), registered or unregistered, (vii) know-how and (viii) all other intellectual and industrial property rights of every kind and nature and however designated, whether arising by operation of Law, Contract, license or otherwise.

"IRS" means the United States Internal Revenue Service.

"Knowledge of the Company" means the actual knowledge of any current director or officer of the Company or any knowledge that would have been acquired by any such Person upon a commercially reasonable inquiry.

"Latest Balance Sheet Date" means March 31, 2008.

"Law" means any constitution, law, ordinance, principle of common law, regulation, statute or treaty of any Governmental Entity.

"Liability" means any liability or obligation whether accrued, absolute, contingent, unliquidated or otherwise, whether due or to become due, whether known or unknown, and regardless of when asserted.

"Licensed-In Intellectual Property Rights" means Third-Party Intellectual Property Rights used or held for use by the Company with the permission of the owner which solely relate to, have been developed solely for use in connection with, arise solely from the conduct of, are used or held for use solely in connection with the Business.

"Litigation" means any claim, action, arbitration, mediation, audit, hearing, investigation, proceeding, litigation or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Entity or arbitrator or mediator.

"Loss" means any Litigation, Governmental Order, complaint, claim, demand, damage, deficiency, penalty, fine, cost, amount paid in settlement, liability, obligation, Tax, Encumbrance, loss, expense or fee, including court costs and attorneys' fees and expenses.

"Material Adverse Effect" means any change, circumstance or effect that has or with the passage of time is reasonably likely to have a material adverse effect on the assets, financial condition or results of operations of the Business, provided, however, that Material Adverse Effect shall exclude any adverse changes or conditions as and to the extent such changes or conditions relate to or result from (i) public or industry knowledge of the transactions contemplated by this Agreement (including but not limited to any action or inaction by the Business' employees, customers or vendors) or (ii) general economic conditions or other conditions generally affecting the industry in which the Business competes. The Company may, at its option, include in the Schedules of this Agreement or elsewhere items that would not have a Material Adverse Effect within the meaning of the previous sentence in order to avoid any misunderstanding, and such inclusion shall not be deemed to be an acknowledgement by the Company that such items would have a Material Adverse Effect or further define the meaning of such term for the purposes of this Agreement.

"Material Contracts" has the meaning set forth in Section 3.13.

"Neutral Accounting Firm" means an independent accounting firm of nationally recognized standing that has not rendered services domestically or internationally to Buyer or the Company, or any Affiliate of either party, within twelve months of the date hereof.

"Novation Agreement" means an agreement to novate the CRIC Agreement with the United States Army duly executed by the United States of America, Buyer and the Company novating such arrangement to Buyer.

"Off-the-Shelf Software" means as it relates to the Business, all computer software and applications that are widely distributed off-the-shelf applications subject to shrink-wrap and similar non-negotiated end-used license agreements.

"Ordinary Course of Business" means the ordinary course of the business of the Company consistent with past custom and practice.

"Organizational Documents" means, as applicable, (i) the articles or certificate of incorporation and the bylaws of a corporation, (ii) the partnership agreement and any statement of partnership of a general partnership, (iii) the limited partnership agreement and the certificate of limited partnership of a limited partnership, (iv) the limited liability company agreement and

articles or certificate of formation of a limited liability company, (v) any charter or similar document adopted or filed in connection with the creation, formation or organization of a Person and (vi) any amendment to any of the foregoing.

"Owned Intellectual Property Rights" means Intellectual Property Rights owned by the Company and which relate solely to, have been developed solely for use in connection with, arise solely from the conduct of, are solely used or held for use in connection with the conduct of the Business.

"Permitted Encumbrances" means (a) liens for Taxes and other governmental charges and assessments which are not yet due and payable or which are being contested in good faith, (b) liens of landlords and liens of carriers, warehousemen, mechanics and materialmen and other like liens arising in the Ordinary Course of Business for sums not yet due and payable or which are being contested in good faith, (c) other liens or imperfections on property which are not material in amount or do not materially detract from the value of or materially impair the existing use of the property affected by such lien or imperfections, (d) liens relating to deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or to secure the performance of leases, trade contracts or other similar agreements, (e) purchase money liens on personal property acquired in the ordinary course of business, (f) liens specifically identified in the Financial Statements, and (g) liens securing executory obligations under any lease that constitutes a "capital lease" under GAAP.

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, Governmental Entity or other entity.

"Plan" means every plan, fund, contract, program and arrangement (whether written or not) for the benefit of present or former employees, including those intended to provide (i) medical, surgical, health care, hospitalization, dental, vision, workers' compensation, life insurance, death, disability, legal services, severance, sickness or accident benefits (whether or not defined in Section 3(1) of ERISA), (ii) pension, profit sharing, stock bonus, retirement, supplemental retirement or deferred compensation benefits (whether or not tax qualified and whether or not defined in Section 3(2) of ERISA) or (iii) salary continuation, unemployment, supplemental unemployment, severance, termination pay, change-in-control, vacation or holiday benefits (whether or not defined in Section 3(3) of ERISA), (w) that is maintained or contributed to by the Company, (x) that the Company has committed to implement, establish, adopt or contribute to in the future, (y) for which the Company is or may be financially liable as a result of the direct sponsor's affiliation with the Company or the Company's shareholders (whether or not such affiliation exists at the date of this Agreement and notwithstanding that the Plan is not maintained by the Company for the benefit of its employees or former employees) or (z) for or with respect to which the Company is or may become liable under any common law successor doctrine, express successor liability provisions of Law, provisions of a collective bargaining agreement, labor or employment Law or agreement with a predecessor employer. Plan does not include any arrangement that has been terminated and completely wound up prior to the date of this Agreement and for which the Company has no present or potential liability.

"Receivables" has the meaning set forth in Section 2.1(n).

"Registered Intellectual Property Rights" means Company Intellectual Property Rights that are the subject of a pending application or an issued patent, trademark, copyright, design right or other similar registration formalizing exclusive rights.

"Remedies Exception," when used with respect to any Person, means except to the extent enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and by general equitable principles.

"Required Consents" has the meaning set forth in Section 5.5.

"Return" means any return, declaration, report, estimate, information return or statement pertaining to any Taxes.

"Software" means as it relates to the Business, all computer software and applications.

"Subsidiary" means any Person in which any ownership interest is owned, directly or indirectly, by another Person.

"Taxes" means all taxes, charges, fees, levies or other assessments, including all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, social security, unemployment, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, including all interest and penalties thereon, and additions to tax or additional amounts imposed by any Governmental Entity upon the Company.

"Third-Party Action" has the meaning set forth in Section 9.3(a).

"Third-Party Intellectual Property Rights" means Intellectual Property Rights in which a Person other than the Company has any ownership interest.

"Treasury Regulations" means the rules and regulations under the Code.

The following terms not defined above are defined in the sections of Article II indicated below:

Definition	Defined
Acquired Assets	2.1
Acquired Contracts	2.1(c)
Acquired Intellectual Property	2.1(i)
Aged AR	2.2(i)
Assignment and Assumption Agreement	2.7(b)(i)F
Assumed Liabilities	2.3
Books and Records	2.1(e)
Closing	2.7
Closing Amount	2.6
Closing Date	2.7
Excluded Assets	2.2

Definition	Defined
Estimated Business Working Capital	2.6(b)
Installments	2.6
Inventories	2.1(b)
Pro Rata Amount	2.6
Purchase Price	2.5
Retained Liabilities	2.4
Tangible Personal Property	2.1(a)

Other terms not defined above but defined elsewhere in this Agreement shall have the meanings ascribed thereto herein.

II. Purchase of Acquired Assets and Closing

2.1 Purchase and Sale of Acquired Assets. At the Closing and on the terms and subject to the conditions set forth in this Agreement, the Company agrees to sell to Buyer, and Buyer agrees to buy from the Company, free and clear of all Encumbrances other than liens for property taxes and similar governmental charges and assessments which are not yet due and payable, all right, title and interest of the Company in and to all of the Company's assets and personal property which are used or held for use solely in connection with or necessary for the conduct of the Business as presently conducted (the "*Acquired Assets*"), including the following (but excluding the Excluded Assets):

(a) all equipment, tools, office equipment, computer hardware, supplies, materials, and other items of tangible personal property of every kind owned by the Company (wherever located and whether or not carried on the Company's books) and used solely in the operation of the Business, together with any express or implied warranty by the manufacturers, sellers or lessors of any item or component part thereof, rights of return, rebate rights, over-payment recovery rights and any other rights of the Company, including without limitation those assets listed on *Schedule 2.1(a)* (the "*Tangible Personal Property*");

(b) all inventories of the Business, wherever located, including all finished goods, work in process, raw materials, ingredients, spare parts, packaging and all other materials and supplies to be used, consumed, sold, resold or distributed by the Company and solely related to the Business owned by the Company as of the Closing Date, together with any express or implied warranty by the manufacturers or sellers of any item or component part thereof, rights of return, rebate rights, over-payment recovery rights and the Company's rights solely related to any of the foregoing (the "*Inventories*");

(c) all Contracts related solely to the Business to which the Company is a party or a third party beneficiary, including (i) Contracts under which the Company has rights with respect to any of the other Acquired Assets and (ii) Contracts listed on *Schedule 3.13* (the "*Acquired Contracts*");

(d) to the extent transferable by the Company to Buyer, all Governmental Authorizations held by the Company solely related to the Business, including the Governmental Authorizations listed on *Schedule 3.15(b)*, and all pending applications for or renewals of Governmental Authorizations;

(e) to the extent existing, all written materials, data and records of the Company solely related to the Business (in whatever form or medium), including (i) client, customer, prospect, supplier, dealer and distributor lists and records, (ii) product catalogs and brochures, and sales and marketing, advertising and promotional materials, (iii) research and development materials, reports and records, (iv) production reports and records, (v) equipment logs, (vi) service, warranty and claim records, (vii) maintenance records and other documents relating to the Acquired Assets, (viii) sales orders and sales order log books, (ix) material safety data sheets, (x) price lists, (xiv) quotations and bids, (xv) operating guides and manuals, (xvi) correspondence, books, records, journals and ledgers, (xvii) product ideas and developments and (xxi) plans and specifications, drawings and photographs, (xxii) a copy, in written or electronic form, of all know how and product and process specifications for the Acquired Asset products currently manufactured, developed or being developed by or for the Company, including without limitation all bills of materials, CAD files and engineering drawings, to the extent that such records may be transferred in accordance with applicable Law (the "*Books and Records*");

(f) all Owned Intellectual Property Rights that are Registered Intellectual Property Rights, as such items listed on *Schedule 3.12*, and all rights that the Company may have to institute or maintain any action to protect the same and recover damages for any infringement thereof;

(g) all Owned Intellectual Property Rights (other than Registered Intellectual Property Rights), including all such items listed on *Schedule 3.12*, and all rights that the Company may have to institute or maintain any action to protect the same and recover damages for any infringement thereof;

(h) all Software licensed to the Company which is solely related to the Business, including those items listed on *Schedule 3.12*;

(i) all Licensed-In Intellectual Property Rights (other than Software) which is solely related to the Business, namely, those items listed on *Schedule 3.12*, and all rights that the Company may have to institute or maintain any action to protect the same and recover damages for any infringement thereof (such Intellectual Property Rights, together with the Intellectual Property Rights described in Sections 2.1(f), 2.1(g) and 2.1(h), the "*Acquired Intellectual Property*");

(j) those domain names listed on *Schedule 2.1(j)*;

(k) cash equal to (x) the proceeds from the sale of Tangible Personal Property (but not Inventory) after the date of this Agreement and prior to the Closing Date and (y) the amount of any payments (net of any associated incremental expenses) received by the Company prior to the Closing Date related to any performance under any Acquired Contract after the Closing Date, less (z) the cost of any Tangible Personal Property purchased by Company after the date hereof and prior to or on the Closing Date;

(l) all of the Company's claims against third parties related to the Acquired Assets, whether known or unknown, contingent or noncontingent, including without limitation all rights, claims, credits, causes of action or rights of set-off of the Company against third parties relating to the Business or the Acquired Assets, including claims pursuant to all

warranties, representations and guarantees made by suppliers, manufacturers, contractors and other third parties in connection with products or services purchased by or furnished to the Company for use in the Business or affecting any of the Acquired Assets;

(m) all goodwill solely associated with the Business;

(n) all (i) accounts receivable and other rights to payment from customers of the Company for goods sold or services rendered which are not more than ninety days past due at Closing, (ii) other accounts or notes receivable of the Company which are not more than ninety days past due at Closing and (iii) the Company's rights related to any of the foregoing, in each case solely relating to the Business and other than Aged AR (collectively, the "*Receivables*");

Notwithstanding the foregoing, the Company may retain copies of any Contracts or Books and Records: (1) which relate to properties or activities of the Company other than the Business, or (2) which are required to be retained pursuant to any legal requirement or are subject to the attorney-client privilege, for financial reporting purposes, for tax purposes, legal defense or prosecution purposes or (3) which related to Excluded Assets or Retained Liabilities.

2.2 Excluded Assets. Notwithstanding anything to the contrary herein, the Company shall not contribute, convey, assign, or transfer to Buyer, and Buyer shall not acquire or have any rights to acquire, any assets (the "*Excluded Assets*") other than those specifically set forth in Section 2.1. Without limiting the generality of the foregoing, the following shall constitute Excluded Assets:

(a) the Company's (i) records relating to the organization, maintenance, existence and good standing of the Company as a corporation, (ii) minute books, (iii) stock records, (iv) tax records and taxpayer and other identification numbers, (v) corporate seals and records, and (vi) all other assets used primarily in connection with the Company's corporate functions;

(b) personnel records;

(c) those Governmental Authorizations and pending applications or renewals of governmental obligations that are nonassignable in accordance with their terms;

(d) purchase orders not related to the Business;

(e) subject to Buyer's rights under Section 2.1(k), the Company's cash, cash equivalents and securities (including marketable securities and short-term investments);

(f) all rights in connection with, and with respect to the assets associated with, any Plan;

(g) leasehold interests in all of the real property leased or otherwise used or occupied by the Company, including all improvements and fixtures thereon and all rights and easements appurtenant thereto;

(h) all (i) accounts receivable and other rights to payment from customers of the Company for goods sold or services rendered, (ii) other accounts or notes receivable of the

Company and (iii) the Company's rights related to any of the foregoing, in each case not relating solely to the Business;

(i) all (i) accounts receivable and other rights to payment from customers of the Business for goods sold or services rendered which have been outstanding more than ninety days at Closing, (ii) other accounts or notes receivable of the Company which have been outstanding more than ninety days at Closing and (iii) the Company's rights related to any of the foregoing (the "Aged AR");

(j) all bank and other depository accounts and safe deposit boxes of the Company;

(k) all refunds of Taxes and Tax loss carry forwards (and any such refunds received by Buyer shall be promptly paid over to the Company by Buyer);

(l) all causes of action, claims, demands, rights and privileges against third parties that relate to any of the Excluded Assets or Retained Liabilities, including causes of actions, claims, and rights under insurance policies relating thereto;

(m) all rights of the Company under this Agreement and the Purchase Price;

(n) all other assets, whether real or personal, tangible or intangible, including without limitation, defined rights in Intellectual Property Rights, which are owned, used or held for use by the Company to conduct any business operation or activity other than the Business (the "Other Business Assets"); and

(o) any other assets specified on *Schedule 2.2(o)*.

2.3 Assumption of Assumed Liabilities. At the Closing and on the terms and subject to the conditions set forth in this Agreement, Buyer agrees to assume (and thereafter pay, perform, discharge or otherwise satisfy in accordance with their respective terms) only the following Liabilities of the Company arising solely out of the operation of the Business (the "Assumed Liabilities"), whether arising before or after the Closing Date, known or unknown, contingent or mature, but specifically excluding the Retained Liabilities (as defined below):

(a) all executory Liabilities arising or to be performed after the Closing under all Acquired Contracts listed on *Schedule 3.12 or 3.13*;

(b) customer purchase orders listed on *Schedule 2.3(b)*;

(c) vendor purchase orders for inventory, supplies or raw materials listed on *Schedule 2.3(c)*; and

(d) all of the Company's Liabilities described on *Schedule 2.3(d)*.

2.4 Retained Liabilities. The parties specifically acknowledge that Buyer is not agreeing to assume any Liability of the Company, whether related to the Acquired Assets or the Business or otherwise, other than the Assumed Liabilities, and that nothing in this Agreement, including this Section 2.4, will be construed as an agreement otherwise. Without limiting the

generality of the foregoing and notwithstanding anything to the contrary contained in Section 2.3 or elsewhere in this Agreement, the following Liabilities of the Company (the "*Retained Liabilities*") are not part of the sale and purchase contemplated by this Agreement, are excluded from the Assumed Liabilities and will be retained by the Company and remain the sole responsibility of the Company following the Closing:

- (a) any Liability arising out of or relating to the Excluded Assets;
- (b) any Liability arising out of or relating to the operations of the Business prior to the Closing and to products or services of the Company related to the Business or otherwise to the extent manufactured, sold or rendered prior to the Closing;
- (c) any Liability under any Acquired Contract assumed by Buyer pursuant to Section 2.3 that arises prior to the Closing or arises after the Closing but that arises out of or relates to a breach of such Acquired Contract that occurred prior to the Closing unless such breach or the circumstances that give rise to the breach has been disclosed to Buyer in this Agreement or in the Disclosure Schedule and is an Assumed Liability;
- (d) any Liability for Taxes, of the Company, including (i) any Taxes arising as a result of the Company's operation of its business, the Business (prior to the Closing Date) or ownership of the Acquired Assets prior to the Closing and (ii) any Taxes that will arise as a result of the sale of the Acquired Assets pursuant to this Agreement;
- (e) any Liability listed on *Schedule 2.4(e)*;
- (f) any Liability arising under any Environmental Law in connection with the operation of the Business or the Company prior to the Closing or the Company's leasing, ownership or operation of real property;
- (g) any Liability under any Plan;
- (h) any Liability under any purchase order or other payment obligation for goods or services provided in full to the Company before the Closing Date;
- (i) any Liability arising out of any Litigation (i) pending as of the Closing or (ii) commenced after the Closing and arising out of or relating to any occurrence, happening or situation existing prior to the Closing;
- (j) any Liability arising out of or resulting from the Company's compliance or non-compliance with any Law, Governmental Authorization or Governmental Order;
- (k) any Liability under purchase orders not related to the Business;
- (l) any Liability based upon the Company's acts or omissions occurring after the Closing;
- (m) any Liability to any Active Employee or former or other employee;

(n) any Liability for services, warranties, returns or similar in respect of products of the Business sold prior to the Closing Date;

(o) any Liability for any product sold, manufactured or licensed by, any services provided by or the ownership, lease or control of property by the Company prior to the Closing Date;

(p) any Liability related to the Company's Other Business Assets and not solely related to the Business or the Acquired Assets or the Assumed Liabilities; and

(q) any other Liability not expressly assumed.

2.5 Purchase Price. The aggregate consideration for the Acquired Assets shall consist of the assumption of the Assumed Liabilities and the payment of the following amounts (the "Purchase Price"): (x) \$2,400,000, plus the amount, if any, by which the Business Working Capital exceeds \$200,000 (the "Target Working Capital") or minus the amount, if any, by which the Target Working Capital Amount exceeds the Business Working Capital.

2.6 Payments. The Purchase Price shall be paid by Buyer to the Company in four installments, each by means of wire transfer of immediately available U.S. funds to one or more accounts of the Company designated by the Company to Buyer. At Closing, Buyer shall pay to the Company an amount (the "Closing Amount") equal to:

(a) \$1,650,000 (less the Escrow Funds); and

(b) less the amount, if any, by which \$200,000 exceeds Buyer's and the Company's mutual good faith estimate of the Business Working Capital at the Closing (the "Estimated Business Working Capital"), or plus the amount, if any, by which the Estimated Business Working Capital exceeds \$200,000.

After Closing Buyer shall pay the Company the following, if any, installments (the "Installments") on the following terms:

Payment conditions redacted.

(i) subject to

\$250,000

Payment conditions redacted.

(ii) subject to

\$250,000

(iii) subject to

the Pro Rata Amount, up to a maximum of \$250,000, payable on January 31, 2009.

Payment conditions redacted.

"Pro Rata Amount" means \$250,000 multiplied by the fraction of (x) the actual dollar amount (up to a maximum of the denominator in clause (y) below) of sales from the Business from the Closing Date through December 31, 2008 divided by (y) \$842,000 (being the amount set forth in the sales forecast provided by the Company to the Buyer for total trauma sales for June 1, 2008 – December 31, 2008 and attached hereto as *Schedule 2.6(b)*). In determining the amount of sales achieved, the parties will use the historical accounting methodologies used by the Company to determine its sales when operating the Business and such methodologies are consistent with GAAP in all material respects. In the event of a dispute between the parties, the parties agree to use the dispute resolution procedure described in Section 2.8.

2.7 The Closing.

(a) The closing of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of Sheppard Mullin Richter & Hampton at 333 South Hope Street, 48th Floor, Los Angeles, California, on May 31, 2008 or as soon thereafter as reasonably possible following satisfaction of the conditions set forth in Article VII (the "Closing Date") or at such other place and on such other date as may be mutually agreed by Buyer and the Company, in which case Closing Date means the date so agreed. The Closing will be effective as of the close of business on the Closing Date.

(b) Subject to the conditions set forth in this Agreement, on or before the Closing Date:

(i) the Company will deliver or have made available to Buyer:

A. a certificate of an appropriate officer of the Company dated the Closing Date stating that the conditions set forth in subsection (a) and (b) of Section 7.1 have been satisfied;

B. the text of the resolutions adopted by the board of directors of the Company authorizing the execution, delivery and performance of this Agreement, certified by an appropriate officer of the Company;

C. each Ancillary Agreement to which the Company is a party, duly executed by the Company;

D. all Required Consents, duly executed by all appropriate parties;

E. a bill of sale for the Acquired Assets that are Tangible Personal Property, Inventory and Books and Records in the form of *Exhibit A*, duly executed by the Company;

F. an Assignment of Acquired Assets that are intangible rights, Receivables and other property (including Acquired Contracts) in the form of *Exhibit B*, duly executed by the company, which assignment shall also contain buyer's assumption of the assumed liabilities (the "Assignment and Assumption Agreement");

G. assignments of the Acquired Assets that are Intellectual Property Rights, duly executed by the Company, together with other agreements, instruments, certificates and

other documents necessary or appropriate, in the opinion of Buyer's counsel, to assign all of the Company's rights and interests in and to the Acquired Intellectual Property to Buyer; and

H. the legal opinion referenced in Section 7.1(j).

(ii) Buyer will deliver to the Company:

A. the Closing Amount by wire transfer of immediately available funds to the account(s) designated by the Company to Buyer no later than three business days prior to the Closing;

B. a certificate of an appropriate officer of Buyer dated the Closing Date stating that the conditions set forth in subsection (a) Section 7.2 have been satisfied;

C. the text of the resolutions adopted by the board of directors of Buyer authorizing the execution, delivery and performance of this Agreement, certified by an appropriate officer of Buyer;

D. the Assignment and Assumption Agreement, duly executed by Buyer;

E. each Ancillary Agreement to which Buyer is a party, duly executed by Buyer; and

F. the legal opinion referenced in Section 7.2(e).

(iii) if the Novation Agreement has been entered into by the Company and the United States of America, Buyer and the Company will deliver a joint written direction to the Escrow Holder directing it to disburse the Escrow Funds to the Company.

(c) All items delivered by the parties at the Closing will be deemed to have been delivered simultaneously, and no items will be deemed delivered or waived until all have been delivered.

(d) Notwithstanding any investigation made by or on behalf of any of the parties to this Agreement or the results of any such investigation and notwithstanding the fact of, or the participation of such party in, the Closing, the representations, warranties and agreements in this Agreement will survive the Closing.

(e) Any sales, use, transfer, vehicle transfer, stamp, conveyance, value added or other similar Tax that may be imposed by any Governmental Entity within the United States with respect to the purchase and sale of the Acquired Assets, or otherwise on account of this Agreement or the transactions contemplated by this Agreement, will be paid by the Company and will not be part of the Assumed Liabilities.

2.8 Working Capital Adjustment.

(a) Within sixty (60) calendar days after the Closing Date, Buyer shall prepare and deliver to the Company a statement setting forth the Business Working Capital (such statement, the "*Business Working Capital Statement*"). Except as set forth on *Schedule 2.8*, the

Business Working Capital Statement will be prepared using the same accounting methods, policies, practices and procedures, with consistent classifications and estimation methodologies as were used in the preparation of the Estimated Business Working Capital, to the extent applicable, and will not include any (i) transaction related costs or expenses or (ii) changes in assets or liabilities as a result of purchase accounting adjustments arising from or resulting as a consequence of the transactions contemplated hereby or subsequent changes in accounting policy or procedure. In the event that the Closing Date does not occur at a financial week or month end for accounting purposes, the parties shall agree on mutually acceptable roll forward or roll back procedures.

(b) Each party shall provide the other party and its representatives with reasonable access to books and records and relevant personnel during the preparation of the Business Working Capital Statement and the resolution of any disputes that may arise under this Section 2.8.

(c) If the Company disagrees with the determination of the Business Working Capital as shown on the Business Working Capital Statement, the Company shall notify Buyer in writing of such disagreement within thirty (30) calendar days after delivery of the Business Working Capital Statement, which notice shall describe the nature of any such disagreement in reasonable detail, identify the specific items involved and the dollar amount of each such disagreement and provide reasonable supporting documentation for each such disagreement. After the end of such thirty (30) calendar day period, neither Buyer nor the Company may introduce additional disagreements with respect to any item in the Business Working Capital Statement or increase the amount of any disagreement, and any item not so identified shall be deemed to be agreed to by Buyer and the Company and will be final and binding upon the parties. During the thirty (30) calendar day period of its review, the Company shall have reasonable access to any documents, schedules or work papers used in the preparation of the Business Working Capital Statement.

(d) Buyer and the Company agree to negotiate in good faith to resolve any such disagreement. If Buyer and the Company are unable to resolve all disagreements properly identified by the Company Buyer pursuant to Section 2.8(c) within thirty (30) calendar days after delivery to Buyer of written notice of such disagreement, then such disagreements shall be submitted for final and binding resolution to a Neutral Accounting Firm to resolve such disagreements (the "*Accounting Arbitrator*"). The Accounting Arbitrator shall be a Neutral Accounting Firm selected by mutual agreement of Buyer and the Company; provided that (i) if, within thirty (30) calendar days after the Company has delivered its notice of disagreement to the Company pursuant to Section 2.8(c), the parties are unable to agree on a Neutral Accounting Firm to act as Accounting Arbitrator, each party shall select a Neutral Accounting Firm and such firms together shall select the Neutral Accounting Firm to act as the Accounting Arbitrator, and (ii) if any party does not select a Neutral Accounting Firm within ten (10) calendar days of written demand therefor by the other party, the Neutral Accounting Firm selected by the other party shall act as the Accounting Arbitrator. The Accounting Arbitrator will only consider those items and amounts set forth in the Business Working Capital Statement as to which Buyer and the Company have disagreed within the time periods and on the terms specified above and must resolve the matter in accordance with the terms and provisions of this Agreement. The Accounting Arbitrator shall deliver to Buyer and the Company, as promptly as practicable and in any event within ninety (90) calendar days after its appointment, a written report setting forth the

resolution of any such disagreement determined in accordance with the terms of this Agreement. The Accounting Arbitrator shall select as a resolution the position of either Buyer or the Company for each item of disagreement and may not impose an alternative resolution. The Accounting Arbitrator shall make its determination based solely on presentations and supporting material provided by the parties and not pursuant to any independent review. The determination of the Accounting Arbitrator shall be final and binding upon Buyer and the Company. The fees, expenses and costs of the Accounting Arbitrator shall be borne by the Company, on the one hand, and Buyer, on the other hand, in such amount(s) as shall be determined by the Accounting Arbitrator based on the proportion that the aggregate amount of disputed items submitted to the Accounting Arbitrator that is unsuccessfully disputed by the Company, on the one hand, or Buyer on the other hand, as determined by the Accounting Arbitrator, bears to the total amount of such disputed items so referred to the Accounting Arbitrator for resolution. Other than such fees and expenses of the Accounting Arbitrator, Buyer and the Company shall each be responsible for their own costs and expenses incurred in connection with any actions taken pursuant to Section 2.8.

(e) If the Business Working Capital as finally determined in accordance with this Section 2.8 is less than the Estimated Business Working Capital, the Purchase Price shall be decreased on a dollar-for-dollar basis by the amount of such shortfall, and if the Business Working Capital is greater than the Estimated Business Working Capital, the Purchase Price shall be increased on a dollar-for-dollar basis by the amount of such excess.

(f) If, on or after the Closing Date, the Company pays any Liability on the Business Working Capital Statement, then Buyer and the Company agree that such Liability shall be deemed removed from the Business Working Capital Statement and the Purchase Price shall be increased accordingly.

(g) If any adjustment under this Section 2.8 results in a reduction in the Purchase Price, the Company shall pay to Buyer the amount of such reduction, and if any adjustment results in an increase in the Purchase Price, Buyer shall pay to the Company the amount of such increase, in each case, by wire transfer of immediately available funds to an account designated by the party receiving payment within five (5) business days after the final determination of the amount of such reduction or increase in Purchase Price, plus interest on the amount of such reduction or increase from the Closing Date to the date of such payment thereof at the per annum rate equal to the rate announced by Citibank, N.A. in the City of New York as its prime rate in effect on the Closing Date.

2.9 Allocation. The Purchase Price shall be allocated among the various categories of Acquired Assets, for purposes of and in accordance with U.S. Treasury Regulations §§1.1060-1(a)(1) and 1.338-6(b), as set forth on *Schedule 2.9* which shall be agreed in good faith by Company and Buyer at least three business days prior to the Closing Date (the "*Allocation Schedule*"). Buyer and the Company shall execute and file all federal, state, local and foreign Tax returns in accordance with the Allocation Schedule (with appropriate changes, if necessary, in the case of Tax returns other than United States federal income Tax returns) and shall not take any position before any Governmental Entity or in any judicial proceeding that is inconsistent with such allocation, except as otherwise required pursuant to court order, arbitration award or a final "determination" (as that term is defined in Section 1313(a) of the Code) or similar determination pursuant to state, local or foreign Tax law. Buyer and the Company shall each

timely file a Form 8594 with the IRS in accordance with the requirements of Section 1060 of the Code. Buyer and Company shall each be responsible for their own costs and expenses incurred in connection with any actions taken pursuant to Section 2.9.

2.10 Further Assurances. On and after the Closing Date, both parties will take all appropriate action and execute any documents, instruments or conveyances of any kind that may be reasonably requested by the other to carry out any of the provisions of this Agreement.

III. Representations and Warranties of the Company

The Company represents and warrants to Buyer that, except as described in the Disclosure Schedule, as of the date of this Agreement and as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement):

3.1 Incorporation; Power and Authority. The Company is duly incorporated, validly existing and in good standing under the laws of the State of California, and has all necessary corporate power and authority necessary to own, lease and operate the Acquired Assets and to carry on the Business as presently conducted. The Company has all necessary power and authority to execute, deliver and perform this Agreement and the Ancillary Agreements to which it will become a party and, to consummate the transactions contemplated by this Agreement.

3.2 Valid and Binding Agreement. The execution, delivery and performance of this Agreement and the Ancillary Agreements to which it will become a party by the Company have been duly and validly authorized by all necessary corporate action. This Agreement has been duly executed and delivered by the Company and (assuming the valid authorization, execution and delivery of this Agreement by Buyer) constitutes the valid and binding obligation of the Company, enforceable in accordance with its terms subject to the Remedies Exception. Each Ancillary Agreement to which the Company will become a party, when executed and delivered by the Company (assuming the valid authorization, execution and delivery of each Ancillary Agreement by Buyer), will constitute the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms subject to the Remedies Exception.

3.3 No Breach; Consents. Except as set forth in *Schedule 3.3*, the execution, delivery and performance of this Agreement and the Ancillary Agreements to which the Company will become a party will not (a) violate any provision of the Organizational Documents of the Company; (b) violate or conflict with any Law, Governmental Order or Governmental Authorization; (c) conflict with, result in any breach of any of the provisions of, constitute a default (or any event that would, with the passage of time or the giving of notice or both, constitute a default) under, result in the termination, amendment, suspension, abandonment or acceleration of payment or require a Consent under any Company Contract that is either binding upon or enforceable against the Company, or any Governmental Authorization that is held by the Company; (d) result in the creation of any Encumbrance upon the Business or any of the Acquired Assets; (e) require any Governmental Authorization; or (f) give any Governmental Entity or other Person the right to challenge any of the contemplated transactions or to exercise any remedy or obtain any relief under any Law, Governmental Order or Governmental Authorization.

3.4 Subsidiaries. The Company has no Subsidiary.

3.5 Financial Statements. The unaudited statements of assets and liabilities of the Business ("*Statements of Assets and Liabilities*") as of March 31, 2008 and December 31, 2007, and the unaudited statements of revenues and expenses of the Business (the "*Statements of Revenues and Expenses*") for the three months ended March 31, 2008 and the year ended December 31, 2007 (collectively referred to herein as the "*Business Financial Statements*") have been prepared in accordance with GAAP consistently applied during the respective periods (except, with respect to all such financial statements, for the absence of statements of cash flows, statements of shareholders' equity, footnotes and other disclosures required by GAAP, and, with respect to the interim financial statements, for normal year-end adjustments and accruals) and present fairly in all material respects the assets and liabilities and revenues and expenses of the Business as of and for the periods then ended. The Statements of Assets and Liabilities as of March 31, 2008 and December 31, 2007 do not include any asset or liability not intended to constitute the Business or the Acquired Assets after giving effect to the transactions contemplated hereby. The Statements of Revenues and Expenses for the three months ended March 31, 2008 and the year ended December 31, 2007 included in the Business Financial Statements do not reflect the operations of any entity or business not intended to constitute the Business after giving effect to the transactions contemplated hereby, and reflect all material costs that historically have been directly incurred by the Business. The Business Financial Statements have been derived from the Company's books and records. The Business Financial Statements are qualified by the fact that the Business has not historically been operated as a separate "stand-alone" entity and accordingly, the Business Financial Statements do not purport to present the results of operation that would necessarily have occurred if the Business had been operated as a "stand-alone" entity for all periods presented. As a result, certain judgments and assumptions regarding financial allocations and estimates have been made by the Company, which could impact the accuracy of the Business Financial Statements.

3.6 Absence of Undisclosed Liabilities. To the Knowledge of the Company, the Business does not have any Liabilities of a nature required by GAAP to be reflected on or disclosed in the footnotes to a balance sheet of the Business except for Liabilities (i) disclosed, reflected or reserved against in the Business Financial Statements, (ii) incurred after the Latest Balance Sheet Date in the Ordinary Course of Business, (iii) disclosed in or arising out of matters set forth on *Schedule 3.6* or any other Schedule to this Agreement, or (iv) incurred in connection with this Agreement and the transactions contemplated hereby. Notwithstanding the foregoing, no representation and warranty is made pursuant to this Section 3.6 with respect to any matter that is specifically addressed by another representation or warranty contained in this Article III or any certificate delivered pursuant hereto.

3.7 Books and Records. The books of account of the Company relating to the Business are complete and correct and have been maintained in accordance with sound business practices. Each transaction is properly and accurately recorded on the books and records of the Company, and each document upon which entries in the Company's books and records are based is complete and accurate in all material respects.

3.8 Absence of Certain Developments. Since the Latest Balance Sheet Date, there has not been any Material Adverse Effect, and as it pertains to the Business:

(a) the Company has not sold, leased, licensed, transferred or assigned any of its assets, tangible or intangible, other than in the Ordinary Course of Business;

(b) the Company has not entered into any Contract (or series of related Contracts) involving more than \$10,000 or that is outside the Ordinary Course of Business;

(c) no party (including the Company) has accelerated, suspended, terminated, modified or canceled any Contract to which the Company is a party or by which any of them is bound that would have been a Material Contract at the time of any such action;

(d) no material Encumbrance, except for Permitted Encumbrances, has been imposed on any Acquired Assets;

(e) the Company has not made any capital expenditure (or series of related capital expenditures) either involving more than \$10,000 or that is outside the Ordinary Course of Business;

(f) the Company has not canceled, compromised, waived or released any right or claim (or series of related rights or claims) either involving more than \$10,000 or that is outside the Ordinary Course of Business;

(g) except incidental to the sale of products or services, the Company has not granted any license or sublicense of any rights under or with respect to any Intellectual Property Rights;

(h) there has been no change made or authorized in the Organizational Documents of the Company;

(i) other than ordinary wear and tear, the Company has not experienced any damage, destruction or loss (whether or not covered by insurance) to the Acquired Assets;

(j) the Company has not delayed, postponed or accelerated the payment of accounts payable or other Liability or the receipt of any accounts receivable, in each case outside the Ordinary Course of Business;

(k) the Company has not disclosed to any Person other than Buyer and authorized representatives of Buyer any proprietary confidential information, other than pursuant to a confidentiality agreement prohibiting the use or further disclosure of such information, and such agreements(s) are in full force and effect;

(l) the Company has not made any change in accounting principles or practices from those utilized in the preparation of the Business Financial Statements; and

(m) the Company has not committed to take any of the actions described in this Section 3.8.

3.9 Property and Assets.

(a) The Company does not own any real property.

(b) The Company has good and marketable title to the Acquired Assets, free and clear of all Encumbrances except for liens for Taxes and other governmental charges and assessments which are not yet due and payable.

(c) The Acquired Assets comprise all of the assets and properties shown in the Statements of Assets and Liabilities or acquired after the date thereof, except for assets disposed of in the Ordinary Course of Business since the Latest Balance Sheet Date.

(d) The Acquired Assets are in good condition and repair, ordinary wear and tear excepted, and are usable in the Ordinary Course of Business. Each such Acquired Asset is suitable for the purposes for which it is used, is free from defects (patent and latent) other than ordinary wear and tear, and has been maintained in accordance with normal industry practices.

(e) The Acquired Assets (i) constitute all of the assets and properties, tangible and intangible, of any nature whatsoever, necessary to operate or material to the Business in the manner presently operated by the Company and (ii) include all of the assets and properties of the Company used solely in the Business.

(f) None of the Acquired Assets constitutes a fixture or is affixed to any real property.

3.10 Inventory. The Inventories consist of items of a quality and quantity usable and, with respect to finished goods only, salable in the Ordinary Course of Business. The Inventories of finished goods are not slow-moving (as determined in accordance with the Company's past practices), obsolete, damaged or defective.

3.11 Tax Matters.

(a) The Company has (i) timely filed (or has had timely filed on its behalf) each Return required to be filed by it in respect of any Taxes, each of which was in all material respects correctly completed and accurately reflected any liability for Taxes of the Business covered by such Return, (ii) timely and properly paid (or had paid on its behalf) all Taxes due and payable for all Tax periods or portions thereof whether or not shown on such Returns, and (iii) established in the Company's books of account, in accordance with GAAP and consistent with past practices, adequate reserves for the payment of any Taxes not then due and payable.

(b) There are no Encumbrances for Taxes upon the Acquired Assets, except Encumbrances for Taxes not yet due and payable or not yet delinquent.

(c) No deficiency for any Taxes related to the Business has been proposed, asserted or assessed against the Company that has not been resolved and paid in full. No waiver, extension or comparable consent given by the Company regarding the application of the statute of limitations with respect to any Taxes or any Return is outstanding, nor is any request for any such waiver or consent pending. As it related to the Business, there has been no Tax audit or other administrative proceeding or court proceeding with regard to any Taxes or any Return of the Company for any Tax year subsequent to the year ended December 31, 2007 nor is any such Tax audit or other proceeding pending, nor has there been any notice to the Company by any Governmental Entity regarding any such Tax, audit or other proceeding.

(d) To the Company's Knowledge, the Business does not have any liability for Taxes in an jurisdiction where it does not file a Return. The Company has not received written notice from a taxing authority in such a jurisdiction that it is or may be subject to taxation by that jurisdiction in respect of the Business.

3.12 Intellectual Property Rights.

(a) *Schedule 3.12(i)* lists all Owned Intellectual Property Rights that are Registered Intellectual Property Rights. *Schedule 3.12(ii)* lists all Contracts relating to Licensed-In Intellectual Property Rights other than Software; to the extent there is no written Contract covering a Licensed-In Intellectual Property Right, *Schedule 3.12(ii)* lists the licensor and describes the Intellectual Property Rights so licensed. *Schedule 3.12(iii)* lists all Contracts relating to Licensed-In Intellectual Property Rights that are Software other than Off-the-Shelf Software; to the extent there is no written Contract covering any Software, *Schedule 3.12(iii)* lists the licensor and describes the Software so licensed. The Owned Intellectual Property Rights and the Licensed-In Intellectual Property Rights are sufficient for the Business as currently conducted.

(b) The Company owns all right, title and interest in the Owned Intellectual Property Rights free and clear of all Encumbrances (including royalty or other payments), except for those licenses of the Owned Intellectual Property Rights to Persons, payments for use of the Owned Intellectual Property Rights and other Encumbrances listed on *Schedule 3.12(b)*. The Company is the official and sole owner of record of all Registered Intellectual Property Rights. To the Knowledge of the Company, no Owned Intellectual Property Right has been infringed by any Person. To the Knowledge of the Company, the Company owns all Intellectual Property Rights developed by its current and former employees and independent contractors during the period of their employment or within the scope of their contracting or consulting relationship, as the case may be, with the Company. No employee or former employee or independent contractor of the Company has made any written claim with respect to any Intellectual Property Right of the Company.

(c) To the Knowledge of the Company, all Owned Intellectual Property Rights are valid and enforceable, and no Person has asserted in writing that any Owned Intellectual Property Right is invalid or not enforceable. All Owned Intellectual Property Rights that are Registered Intellectual Property Rights are in full force and effect, and all actions required to keep such rights pending or in effect or to provide full available protection, including payment of filing, examination, annuity, and maintenance fees and filing of renewals, statements of use or working, affidavits of incontestability and other similar actions (including the European patent fees due May 31, 2008), have been taken, and no such Registered Intellectual Property Right is the subject of any interference, opposition, cancellation, nullity, re-examination or other proceeding placing in question the validity or scope of such rights. All products distributed in the United States and that are covered by Owned Intellectual Property Rights or Licensed-In Intellectual Property Rights that are Registered Intellectual Property Rights and all usages of Owned Intellectual Property Rights or Licensed-In Intellectual Property Rights that are Registered Intellectual Property Rights have been marked with the appropriate patent, trademark or other marking required.

(d) Commercially reasonable precautions have been taken to protect the secrecy, confidentiality and value of the trade secrets listed in *Schedule 3.12(d)*, including the implementation and enforcement of policies requiring each employee or independent contractor who has access to trade secrets to execute proprietary information and confidentiality agreements, and each current and former employee and independent contractor of the Company has executed such an agreement. To the Knowledge of the Company, there has been no breach or other violation of such agreements.

(e) The Company has not knowingly taken action, or failed to take an action, that might have the effect of estopping or otherwise limiting its right to enforce Owned Intellectual Property Rights against any Person.

(f) The Company has no present expectation or intention of not fully performing any obligation pursuant to any license except for any license for Off the Shelf Software, and to the Knowledge of the Company there is no breach, anticipated breach or default by any other party to any license. To the Knowledge of the Company, there are no renegotiations of, attempts to renegotiate, demands for or outstanding rights to renegotiate any license. All material rights under each license, excluding Off-the-Shelf Software, will be available to Buyer after the Closing.

(g) To the Knowledge of the Company, no Licensed-in Intellectual Property Right that is a Registered Intellectual Property Right and for which the Company has an exclusive right is the subject of any interference, opposition, cancellation, nullity, re-examination or other proceeding placing in question the validity or scope of such right.

(h) The Company has not, to its Knowledge, infringed, misappropriated or otherwise violated any Third-Party Intellectual Property Right, and the Company has not received any written notice of any infringement, misappropriation or violation by the Company of any Third-Party Intellectual Property Right.

(i) All Software that is used by the Company for the operation of the Business is owned by the Company or is subject to a current license agreement that covers all use of the Software in the Business, as currently conducted. The Company has not received written notice that it is in breach of any license to, or license of, any Software. The Company does not use, rely on or contract with any Person to provide service bureau, outsourcing or other computer processing services to the Company, in lieu of or in addition to its use of the Software.

3.13 Material Contracts *Schedule 3.13* lists the following Contracts to which the Company is a party or subject or by which it is bound which relate to, have been developed for use in connection with, arise from the conduct of, are used or held for use in connection with or necessary for the conduct of the Business (with the Contracts listed on *Schedules 3.12(ii)* and *3.12(iii)*, the "Material Contracts"):

- (i) each employment, agency, collective bargaining or consulting Contract;
- (ii) each distributor, reseller, OEM, dealer, manufacturer's representative, broker, sales agency, advertising agency, finder's, manufacturing or assembly Contract;

(iii) each Contract or group of related Contracts with the same party for the purchase of products or services with a undelivered balance in excess of \$25,000;

(iv) each Contract or group of related Contracts with the same party for the sale of products or services with an undelivered balance in excess of \$25,000;

(v) each Contract relating to the borrowing of money or to mortgaging, pledging or otherwise placing an Encumbrance on any of the Acquired Assets;

(vi) each written warranty, guaranty or other similar undertaking with respect to contractual performance extended by the Company other than in the Ordinary Course of Business;

(vii) each Contract relating to any surety bond or letter of credit required to be maintained by the Company;

(viii) each Contract providing for the development of any products, Software or Intellectual Property Rights or the delivery of any services by, for or with any third party;

(ix) each Contract containing exclusivity, noncompetition or nonsolicitation provisions or that would otherwise prohibit the Company from freely engaging in business anywhere in the world or prohibiting the solicitation of the employees or contractors of any other entity;

(x) each Contract pertaining to confidentiality or non-disclosure; each Contract terminable by any other party upon a change of control of the Company or upon the failure of the Company to satisfy financial or performance criteria specified in such Contract;

(xi) each power of attorney that is currently in effect; and

(xii) each other Contract of the Company not entered into in the Ordinary Course of Business or material to the Business.

(b) Each Material Contract is, with respect to the Company, valid and binding, currently in force and enforceable in accordance with its terms, subject to the Remedies Exception. The Company has performed all material obligations required to be performed by it in connection with each Material Contract. The Company has not received any written notice of any claim of default by it under or termination of any Material Contract and, to its Knowledge, is not in breach or default in any material respect thereunder and, to the Knowledge of the Company, no other Party to any Material Contract is in breach or default in any material respect thereunder. There is no renegotiation of, attempt to renegotiate or outstanding right to renegotiate any material terms of any Material Contract, and no Person has made written demand for such renegotiation.

(c) The Business has no obligation to refund payments received for work not yet performed under an Acquired Contract where the percentage of work completed is less than

the percentage of revenues received to date. Except as disclosed in the Disclosure Schedule, each Acquired Contract is assignable to Buyer without the consent of any Person.

3.14 Litigation. No Litigation is pending or, to the Knowledge of the Company, threatened against the Company relating to the Business, and to the Knowledge of the Company there is no reasonable basis for any Litigation against the Company relating to the Business. The Company is not subject to any outstanding Governmental Order relating to the Business.

3.15 Compliance with Laws; Governmental Authorizations.

(a) The Company has materially complied with all applicable Laws and Governmental Orders relating to the Business and is not relying on any exemption or deferral from any applicable Laws or Governmental Orders.

(b) The Company has in full force and effect all material Governmental Authorizations necessary to conduct the Business and own and operate the Acquired Assets. *Schedule 3.15(b)* lists each Governmental Authorization held by the Company solely related to the Business or, other than employment, corporate and Tax authorizations, necessary for Business operations. The Company has materially complied with all Governmental Authorizations applicable to it with respect to the operation of the Business.

(c) The Company has not offered, authorized, promised, made or agreed to make any gifts, payments or transfers of property of any kind (other than incidental gifts of nominal value) in connection with any actual or proposed transaction related to the Business, except as required or permitted by the Laws of each applicable jurisdiction and in each such case has complied in all material respects with the U.S. Foreign Corrupt Practices Act.

(d) The Company has complied with all applicable export control and trade embargo Laws in connection with any actual or proposed transaction related to the Business.

(e) The Company has complied with all applicable antiboycott Laws in connection with any actual or proposed transaction related to the Business.

3.16 Environmental Matters. To the Knowledge of the Company, the Business is in compliance, in all material respects, with all applicable laws, regulations and orders ("*Environmental, Health, and Safety Requirements*") concerning public health and safety, worker health and safety, and pollution or protection of the environment, including without limitation all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise or radiation (collectively "*Hazardous Materials*"). Without limiting the generality of the foregoing, to the Knowledge of the Company, the Company has obtained, and is in compliance with, in all material respects, all material permits, licenses and other authorizations that are required pursuant to Environmental, Health, and Safety Requirements for the operation of the Business. As it relates to the Business, the Company has not received any written or, to the Knowledge of the Company, any oral notice, report or other information regarding any actual or alleged material violation of Environmental, Health, and Safety Requirements, or any material liabilities or potential material liabilities

(whether accrued, absolute, contingent, unliquidated or otherwise), including any material investigatory, remedial or corrective obligations, relating to any of them or its facilities arising under Environmental, Health, and Safety Requirements.

3.17 Warranties. *Schedule 3.17* lists all claims pending or, to the Knowledge of the Company, threatened for product liability or breach of any warranty relating to the Business. Such claims in the aggregate are not in excess of the reserve for product warranty claims set forth on the face of the Statements of Assets and Liabilities. No product or service manufactured, sold, leased or delivered by the Company relating to the Business is subject to any guaranty, warranty or other indemnity other than such warranties. Except as listed on *Schedule 3.17*, none of the products manufactured, sold, leased or delivered by the Company relating to the Business has been the subject of any product recall or return (whether voluntary or involuntary) during the past five years.

3.18 Product Liability. The Company has no liability (and to the Knowledge of the Company, there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rise to any liability) arising out of any injury to individuals or property as a result of the ownership, possession, or use of any Acquired Assets.

3.19 Employee Benefits There are no employment, severance, change of control, retention or guaranteed bonus contracts or arrangements of any nature (collectively, the "*Employment Agreements*"), collective bargaining agreements or Plans which by their terms or by operation of law will be binding on Buyer. Upon Closing, the Business will have no obligations for retiree health or life benefits under any Plan, and the Company acknowledges its on-going obligations for health continuation coverage as required by Section 4980B of the Code or Part 6 of Title I of ERISA ("*COBRA*"). The Assumed Liabilities do not include any actual or potential liabilities under Section 4201 of ERISA for any complete or partial withdrawal from a multiemployer plan or in respect of any pension plan that is subject to Title IV of ERISA. None of the Acquired Assets is subject to any lien under Section 412(n) of the Code or under ERISA. *Schedule 3.19* sets forth a complete list of all Plans. The Company has no unsatisfied liabilities nor is the Company reasonably expected to incur any liabilities, that could become a liability of Buyer with respect to any Plan and, with respect to each such Plan, full payment has been made of all amounts that the Company is required, under the terms of each such plan, to have paid as contributions to that Plan.

3.20 Employees. The employment of any terminated former employee of the Business has been terminated in accordance with any applicable Company Contract, Contract and applicable Law, and the Buyer will have no liability under any Contract or applicable Law toward any such terminated employee. The transactions contemplated by this Agreement will not cause Buyer to incur or suffer any liability relating to, or obligation to pay, severance, termination or other payment to any Person. The Company has paid in full to all employees of the Business all wages, salaries, bonuses and commissions due and payable to such employees and has fully reserved in its books of account all amounts for wages, salaries, bonuses and commission due but not yet payable to such employees.

3.21 Customers. *Schedule 3.21* lists the five (5) largest customers of the Business for each of the last two fiscal years and sets forth opposite the name of each such customer the percentage of net sales of the Business attributable to such customer for each such period. No customer listed on *Schedule 3.21* has indicated in writing that it will stop or decrease the rate of business done with the Business.

3.22 Suppliers. *Schedule 3.22* lists the three (3) largest suppliers of the Business for each of the last two fiscal years and sets forth opposite the name of each such supplier the approximate percentage of purchases by the Business attributable to such supplier for each such period. No supplier listed on *Schedule 3.22* has indicated in writing that it will stop or decrease the rate of business done with the Business.

3.23 Affiliate Transactions. As it relates to the Business, no Affiliate, officer, director or shareholder with an interest of 5% or more (each an "Insider") has any Contract with the Company (other than employment not represented by a written Contract), any loan to or from the Company or any interest in any assets (whether real, personal or mixed, tangible or intangible). No Insider has any direct or indirect interest in any competitor, supplier or customer of the Business or in any Person from whom or to whom the Business leases any property, or in any other Person with whom the Company otherwise transacts any aspect of the Business.

3.24 Accounts Receivable. All Receivables reflected on the Statements of Assets and Liabilities or the balance sheet included in the Company Financial Statements are recorded in accordance with GAAP consistent with past practice. All Receivables have arisen out of bona fide sales and deliveries of goods, performance of services and other transactions in the Ordinary Course of Business in conformity in all material respects with the applicable purchase orders, agreements and specifications. All Receivables are (a) valid, bona fide claims against debtors for sales or other charges, (b) not, to the Knowledge of the Company, subject to any defenses, set offs or counterclaims that are not taken reflected in reserves established for bad debts and (c) are, to the Knowledge of the Company, current.

3.25 Brokerage. No Person will be entitled to receive any brokerage commission, finder's fee, fee for financial advisory services or similar compensation in connection with the transactions contemplated by this Agreement based on any Contract made by or on behalf of the Company for which Buyer is or could become liable or obligated.

3.26 Availability of Documents. The Company has made available to Buyer correct and complete copies of the items referred to in the Disclosure Schedule or in this Agreement.

3.27 Solvency. The Company is not insolvent and will not be rendered insolvent by any of the transactions contemplated by this Agreement. As used in this Section 3.27, "insolvent" means that the sum of the known debts and other probable Liabilities of the Company exceeds the present estimated fair saleable value of its assets.

IV. Representations and Warranties of Buyer

Buyer represents and warrants to the Company that as of the date of this Agreement and as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement):

4.1 Incorporation; Power and Authority. Buyer is a corporation duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, with all necessary power and authority to execute, deliver and perform this Agreement and the Ancillary Agreements to which it will become a party.

4.2 Valid and Binding Agreement. The execution, delivery and performance of this Agreement and the Ancillary Agreements to which it will become a party by Buyer has been duly and validly authorized by all necessary corporate action. This Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer, enforceable against it in accordance with its terms, subject to the Remedies Exception. Each Ancillary Agreement to which Buyer will become a party, when executed and delivered by Buyer, will constitute the valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, subject to the Remedies Exception.

4.3 No Breach; Consents. The execution, delivery and performance of this Agreement and the Ancillary Agreements to which it will become a party by Buyer will not (a) contravene any provision of the Organizational Documents of Buyer; (b) violate or conflict with any Law, Governmental Order or Governmental Authority; (c) conflict with, result in any breach of any of the provisions of, constitute a default (or any event that would, with the passage of time or the giving of notice or both, constitute a default) under, result in a violation of, increase the burdens under, result in the termination, amendment, suspension, modification, abandonment or acceleration of payment (or any right to terminate) or require a Consent, including any Consent under any Contract or Governmental Authorization that is either binding upon or enforceable against Buyer; or (d) require any Governmental Authorization other than the Consent of the TSX Venture Exchange.

4.4 No Litigation or Regulatory Action.

(a) Except as set forth on *Schedule 4.4*, there are no lawsuits, claims, suits, proceedings or investigations pending or, to the knowledge of Buyer, threatened against Buyer or its Subsidiaries which would reasonably be expected to prevent, hinder or delay the consummation of any of the transactions contemplated hereby; and

(b) There is no lawsuit, claim, proceeding or investigation pending or, to the knowledge of Buyer, threatened, that questions the legality or propriety of the transactions contemplated by this Agreement or any of the Ancillary Agreements.

4.5 Brokerage. No Person will be entitled to receive any brokerage commission, finder's fee, fee for financial advisory services or similar compensation in connection with the transactions contemplated by this Agreement based on any Contract made by or on behalf of Buyer for which the Company is or could become liable or obligated.

4.6 Financial Ability; Business Operation.

(a) Buyer has, and will have on the Closing Date and thereafter as required, the financial ability to consummate the transactions contemplated by this Agreement and operate the Business as presently contemplated.

(b) Buyer will operate the Business in the ordinary course using standards that are at least the same as the standards used by Company prior to the Closing Date and shall devote commercially reasonable resources, financial or otherwise, to the Business in order to generate sales from the Business from the Closing Date through December 31, 2008.

4.7 Independent Analysis. Buyer recognizes that the Company has not made any representation or warranty upon which Buyer is relying in respect to the ability of Buyer to obtain business through the Business subsequent to the Closing Date. Buyer further recognizes that any cost estimates, projections or other predictions contained or referred to in the Schedules hereto or in the information provided to Buyer or any of its employees, agents or representatives were prepared for internal planning purposes only and are not and shall not be deemed to be representations or warranties of the Company. Buyer further acknowledges that the CRIC is currently in a research and development phase under a United States government funded program and as such is speculative and may not lead to the development of a commercially viable product.

V. Agreements of the Company

5.1 Conduct of the Business. From the date of this Agreement to and including the Closing Date except as required by law or as required or permitted by this Agreement,

(a) the Company will use commercially reasonable efforts to conduct the Business only in, and will not take any action except in, the Ordinary Course of Business and substantially as operated as historically conducted;

(b) the Company will not make any amendments or modifications of any Acquired Contract or enter into any Contract that would have been a Material Contract if such Contract had been in effect on the date of this Agreement; and

(c) the Company will (i) use its best efforts to the goodwill of the Business, keep available the services of, to the extent each of the following are necessary for the operation of the Business, its officers, employees and consultants and maintain satisfactory relationships with vendors, customers and others material to the Business, (ii) subject to applicable Laws, confer with representatives of Buyer to report operational matters and the general status of ongoing operations related to the Business as reasonably requested by Buyer and (iii) not knowingly take any action that would render, or that reasonably may be expected to render, any representation or warranty made by the Company in this Agreement untrue at the Closing as though then made and as though the Closing Date had been substituted for the date of this Agreement in such representation or warranty, including any actions referred to in Section 3.8.

(d) except with the consent of Buyer or in the Ordinary Course of Business, the Company will not, as it relates to the Business, use extraordinary selling efforts that would have the effect of accelerating sales prior to the time reasonably expected, through offering of discounts, shipment of goods prior to anticipated shipping dates or otherwise.

5.2 Notice of Developments. The Company will promptly notify Buyer of any emergency or other change in the Ordinary Course of Business of the Business or the commencement or, to the Knowledge of the Company, threat of Litigation related to this Agreement, the Business or the Acquired Assets. The Company will promptly notify Buyer in

writing if it should discover that any representation or warranty made by it in this Agreement was when made, has subsequently become or will be on the Closing Date, untrue in any respect. In such event, the parties will negotiate in good faith during the seven (7) calendar day period immediately after such notice to determine the consequence of such circumstance, and the Company may elect to terminate this Agreement after the expiration of such seven (7) calendar day period, which termination will be subject to Section 8.1 below.

5.3 Access. Through the Closing Date, the Company will afford to Buyer and its authorized representatives reasonable access during regular business hours and upon reasonable notice to the Business and the Acquired Assets provided that Buyer shall continue to comply with the Confidentiality Agreement.

5.4 Conditions. The Company will use commercially reasonable efforts to cause the conditions set forth in Section 7.1 to be satisfied and to consummate the transactions contemplated by this Agreement as soon as reasonably possible and in any event on or before the Closing Date.

5.5 Consents and Authorizations; Regulatory Filings. The Company will use commercially reasonable efforts to obtain (at no cost to Buyer), on or before the Closing Date, all material Consents and Governmental Authorizations reasonably necessary for the consummation of the transactions contemplated by this Agreement or that would, if not obtained, have a Material Adverse Effect on the Buyer, including those listed on *Schedule 5.5* (the "*Required Consents*"). The Company will keep Buyer reasonably advised of the status of obtaining the Required Consents.

5.6 No Sale or Release. The Company will not sell, pledge, transfer or otherwise place any Encumbrance, or allow to subsist any Encumbrance except a Permitted Encumbrance, on any Acquired Assets except that the Company may sell Inventories in the Ordinary Course of Business. The Company will not release or permit the release of any Person from, or waive or permit the waiver of any provision of, any confidentiality, "standstill" or similar agreement to which the Company is a party and is related to the Business, and will enforce or cause to be enforced each such agreement at the reasonable request of Buyer. The Company also will promptly request each Person that has executed, within 12 months prior to the date of this Agreement, a confidentiality agreement in connection with its consideration of a possible acquisition transaction related to the Business and to return or destroy (and certify such destruction) all confidential information heretofore furnished to such Person by or on behalf of the Company.

5.7 Post-Closing Access. After the Closing Date, the Company will afford to Buyer, its accountants and counsel, during normal business hours, upon reasonable request by Buyer (at Buyer's sole cost and expense), full access to the books and records (other than the Books and Records) of the Company pertaining to the Business or the Acquired Assets. After the Closing Date, the Company will hold all such books and records in accordance with the Company's retention policies in effect from time to time for a period of not less than two years from the Closing Date.

5.8 Litigation Support. The Company will make available to Buyer upon written request and at the expense of Buyer, but consistent with the Company's business requirements,

reasonable assistance of any of Buyer's personnel whose assistance or participation is required by Buyer, in anticipation of, or preparation for, existing or future litigation or other matters in which Buyer is involved related to the Business or the Acquired Assets. In the event and for so long as Buyer is actively contesting or defending against any Litigation in connection with any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction existing or occurring on or prior to the Closing Date involving the Business or the Acquired Assets, the Company will cooperate in the contest or defense and provide such testimony and access to its books and records as may be necessary in connection with the contest or defense.

5.9 Nondisparagement. The Company will not knowingly take any action that is designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier or other business associate of the Company from maintaining a meaningful business relationship with the Business or Buyer after the Closing and substantially similar to that which was maintained with Company prior to the Closing. The Company will refer all customer inquiries relating to the Business to Buyer from and after the Closing. Buyer acknowledges that certain parties may elect not to continue to do business with the Buyer after the Closing Date as a result of the transactions contemplated by this Agreement.

5.10 Non-Hire. During the period that commences on the Closing Date and ends on the second anniversary of the Closing Date, the Company will not employ (or attempt to employ or interfere with any employment relationship with) any employee of Buyer except any hiring that results from general advertisements not directed specifically at employees of Buyer shall not be prohibited.

5.11 Confidentiality. The Company will keep confidential and protect, and will not divulge, or use in any way, (i) Intellectual Property Rights, including product specifications, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current and planned research and development, current and planned manufacturing and distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, Software, database technologies, systems, structures, architectures and data (and related processes, formulae, compositions, improvements, devices, know-how, inventions, discoveries, concepts, ideas, designs, methods and information), (ii) any and all information concerning the Business (including historical financial statements, financial projections and budgets, historical and projected sales, capital spending budgets and plans, the names and backgrounds of key personnel, personnel training and techniques and materials, however documented, and (iii) any and all notes, analyses, compilations, studies, summaries and other material containing or based, in whole or in part, on any information included in the foregoing ("*Confidential Information*") of the Company relating to the Business. The Company acknowledges that such Confidential Information constitutes a unique and valuable asset of the Business and represents a substantial investment of time and expense by the Company (as it relates to the Business), and that any disclosure or other use of such Confidential Information other than for the sole benefit of Buyer would be wrongful and may cause irreparable harm to Buyer. The foregoing obligations of confidentiality will not apply to any Confidential Information that is or subsequently becomes generally publicly known, other than as a direct or indirect result of the breach of this Agreement by the Company.

(a) The Company acknowledges that Buyer has required that the Company make the agreements in this Section 5.11 as a condition to Buyer's consummation of the transactions contemplated by this Agreement. The Company agrees that the agreements contained in this Section 5.11 are reasonable and necessary to protect the legitimate interests of Buyer and that any violation or breach of this Section 5.11 may result in irreparable injury to Buyer for which no adequate remedy may exist at law. Accordingly, in addition to any relief at law that may be available to Buyer for such violation or breach and regardless of any other provision contained in this Agreement, Buyer will be entitled to injunctive and other equitable relief restraining such violation or breach (without any requirement that Buyer provide any bond or other security).

(b) In the event that the Company is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, the Company will notify Buyer promptly of the request or requirement so that Buyer may at its sole cost and expense seek an appropriate protective order or waive compliance with the provisions of this 5.11. If, in the absence of a protective order or the receipt of a waiver from Buyer, the Company is, on the advice of counsel, compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt, the Company may disclose the Confidential Information to the tribunal; provided, however, that the Company will use commercially reasonable efforts to obtain assurance that confidential treatment will be accorded to such portion of the Confidential Information required to be disclosed.

5.12 Covenant Not to Compete.

(a) As an inducement for Buyer to enter into this Agreement and as additional consideration for the consideration to be paid to the Company under this Agreement, for a period of three years from the Closing Date, neither the Company nor any Subsidiary of the Company will, directly or indirectly, engage in, acquire, or own a business that competes with the Business as conducted by the Company prior to the Closing Date anywhere in the world. Ownership by the Company, as a passive investment, of less than one percent of the outstanding shares of capital stock of any corporation whose stock is listed on a national securities exchange or publicly traded on The NASDAQ National Market will not constitute a breach of this Section 5.12.

(b) The Company acknowledges that Buyer has required that the Company make the agreements in this Section 5.12 as a condition to Buyer's consummation of the transactions contemplated by this Agreement. The Company acknowledges that the agreements contained in this Section 5.12 are reasonable (including with respect to duration, geographical area and scope) and necessary to protect the legitimate interests of Buyer and that any violation or breach of this Section 5.12 may result in substantial and irreparable harm to Buyer for which no adequate remedy may exist at law. Accordingly, in addition to any relief at law that may be available to Buyer for such violation or breach and regardless of any other provision contained in this Agreement, Buyer will be entitled to injunctive and other equitable relief restraining such violation or breach (without any requirement that Buyer provide any bond or other security).

(c) In the event of a violation or breach by the Company of any agreement set forth in this Section 5.12, the term of such agreement will be extended by the period of the duration of such violation or breach.

(d) If the final judgment of a court of competent jurisdiction declares that any term or provision of this Section 5.12 is invalid or unenforceable, the court making the determination of invalidity or unenforceability will have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement will be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

5.13 Payment of All Taxes Resulting From Sale of Assets by the Company. In addition to its obligations under Section 2.7(e), the Company will pay in a timely manner all Taxes imposed upon it resulting from or payable in connection with the sale of the Acquired Assets pursuant to this Agreement. The Company and Buyer will (i) each provide the other with such assistance as may reasonably be requested by any of them in connection with the preparation of any Return, audit or other examination by any taxing authority or judicial or administrative proceedings relating to liability for Taxes, (ii) each retain and provide the other with any records or other information that may be relevant to such Return, audit or examination, proceeding or determination, and (iii) each provide the other with any final determination of any such audit or examination, proceeding or determination that affects any amount required to be shown on any Return of the other for any period. Each party will bear their own costs and expenses incurred in connection with this Section 5.13.

5.14 Payment of Other Retained Liabilities. In addition to payment of Taxes pursuant to Section 5.13, the Company will pay, or make adequate provision for the payment, in full all of the Retained Liabilities subject to any rights the Company has to contest any of the Retained Liabilities in good faith.

5.15 Receivables. Following Closing, the Company will use reasonable efforts to assist Buyer in collecting the Receivables and any payment received by the Company from an obligor in respect of Receivables shall be turned over by the Company to Buyer five (5) days following the end of each calendar month. Any payment received by the Company or Buyer from a Person who is both an obligor in respect of Receivables and Aged AR shall be applied first to Receivable unless the obligor expressly indicates that such payment is to be applied to Aged AR and if payments in respect of Aged AR received by Buyer shall be paid over to Company by Buyer within five (5) days following the end of the calendar month in which it was received. The Company's and Buyer's obligations under this Section shall terminate 185 days following the Closing.

5.16 Payment of Wages; Plans. The Company acknowledges and agrees that (i) Buyer is not obligated to employ any employees of the Company, and (ii) all Liabilities relating to employees and former employees of the Company and any Plan, fund, Company Contract, Contract, program and arrangement (whether written or not) for the benefit of present or former employees of the Company will be solely the responsibility of the Company. The Company will be responsible for (a) the payment of all wages and other remuneration due to Active Employees

and former employees with respect to their services as employees of the Company through the close of business on the Closing Date, including pro rata bonus payments and all vacation pay earned prior to the Closing Date, (b) the payment of any termination or severance payments and the provision of health plan continuation coverage in accordance with the requirements of COBRA, and (c) all Plans and obligations under Plans.

5.17 CRIC Funding

Details regarding funding arrangement redacted.

(a)



(b)



VI. Agreements of Buyer

6.1 Conditions. Buyer will use its best efforts to cause the conditions set forth in Section 7.2 to be satisfied and to consummate the transactions contemplated by this Agreement as soon as reasonably possible and in any event prior to or on the Closing Date.

6.2 Employment Matters. Nothing in this Agreement will be construed to create a right in any employee of the Company to employment with Buyer. Buyer will not be obligated to offer employment to any of the Company's employees. Buyer will not have any responsibility, liability or obligation, whether to Active Employees, former employees, their beneficiaries or to any other Person, with respect to any Plan or other employee benefit plan, practice, program or arrangement, whether written or oral (including the establishment, operation or termination thereof and the notification and provision of COBRA continuation coverage) maintained by the Company.

6.3 Confidentiality. The terms of the Confidentiality Agreement are hereby incorporated by reference and shall continue in full force and effect in accordance with its terms. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement shall continue in full force and effect in respect of such confidential information in

accordance with its terms. The Company acknowledges that the Confidentiality Agreement shall not apply to or limit Buyer's employment of Royce Rumsey or Julee Arbuckle but may only disclose that information that is reasonably related to their prospective employment with Buyer.

6.4 Risk of Loss; Insurance. Buyer shall become solely responsible for all insurance coverage and risk of loss based on events occurring on or after the Closing Date with respect to the Business and the Acquired Assets.

6.5 Post-Closing Access. After the Closing Date, Buyer will afford to the Company, its accountants and counsel, during normal business hours, upon reasonable request, full access to the Books and Records. After the Closing Date, Buyer will hold all of the Books and Records in accordance with Buyer's retention policies in effect from time to time for a period of not less than two years from the Closing Date or such longer period in the event that Section 6.6 is applicable.

6.6 Post-Closing Litigation. Buyer will make available to the Company upon written request and at the expense of the Company, but consistent with Buyer's commercially reasonable requirements, reasonable assistance of any of the Company's personnel whose assistance or participation is required by the Company, in anticipation of, or preparation for, existing or future litigation or other matters in which the Company is involved related to the Business or the Acquired Assets. In the event and for so long as the Company is actively contesting or defending against any Litigation in connection with any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction existing or occurring on or prior to the Closing Date involving Acquired Assets, Buyer will cooperate in the contest or defense and provide such testimony and access to the Books and Records as may be necessary in connection with the contest or defense.

VII. Conditions to Closing

7.1 Conditions to Buyer's Obligations. The obligation of Buyer to take the actions required to be taken by it at the Closing is subject to the satisfaction or waiver, in whole or in part, in Buyer's sole discretion (but no such waiver will waive any rights or remedy otherwise available to Buyer), of each of the following conditions at or prior to the Closing:

(a) The representations and warranties set forth in Article III will be true and correct as though then made and as though the Closing Date had been substituted for the date of this Agreement in such representations and warranties (without taking into account any supplemental disclosures after the date of this Agreement by the Company or the discovery of information by Buyer; provided, however, for the avoidance of doubt, if Buyer elects to proceed with the Closing it shall have no recourse against the Company for any such supplemental disclosures or discoveries);

(b) The Company will have performed and complied with each of its agreements contained in this Agreement;

(c) Each Required Consent will have been obtained and be in full force and effect;

(d) No Litigation is pending or threatened (i) challenging or seeking to prevent or delay consummation of any of the transactions contemplated by this Agreement, (ii) asserting the illegality of or seeking to render unenforceable any material provision of this Agreement or any of the Ancillary Agreements, (iii) seeking to prohibit direct or indirect ownership, combination or operation by Buyer of any portion of the Acquired Assets, or to compel Buyer or any of its Subsidiaries to dispose of, or to hold separately, or to make any change in any portion of the business or assets of Buyer or its Subsidiaries as a result of the transactions contemplated by this Agreement, or incur any burden, (iv) seeking to require direct or indirect transfer or sale by Buyer of, or to impose material limitations on the ability of Buyer to exercise full rights of ownership of, any of the Acquired Assets or (v) imposing or seeking to impose material damages or sanctions directly arising out of the transactions contemplated by this Agreement on Buyer or any of its officers or directors or with respect to any portion of the Acquired Assets;

(e) No Law or Governmental Order will have been enacted, entered, enforced, promulgated, issued or deemed applicable to the transactions contemplated by this Agreement by any Governmental Entity that would reasonably be expected to result, directly or indirectly, in any of the consequences referred to in Section 7.1(d);

(f) After the date of this Agreement, no Material Adverse Effect will have occurred;

(g) The Company will have complied with Section 2.7;

(h) Buyer will have received certificates dated as of a date not earlier than the third business day prior to the Closing as to the good standing of the Company, executed by the appropriate official(s) of the State of California and a Franchise Tax Board letter certifying that as of a date within three business days prior to the Closing that all known taxes due the State of California have been paid;

(i) Buyer will have received releases of all Encumbrances, if any, other than liens for property taxes and similar governmental charges and assessments which are not yet due and payable, on the Acquired Assets;

(j) Buyer will have received an opinion of counsel to the Company, in the form of *Exhibit C*;

(k) No Person will have asserted that such Person is the owner of, or has the right to acquire or obtain ownership of, any of the Acquired Assets;

(l) Company will provide Buyer with a written certificate stating that the Inventory on the Closing Date is reasonably adequate to allow Buyer to operate the Business (as it relates to inventory needs) in the same manner as Company historically operated the Business for a period of 60 days following the Closing Date; and

(m) Buyer will have received the consent of the TSX Venture Exchange to the for the transactions contemplated in this Agreement.

Notwithstanding the failure of any one or more of the foregoing conditions in this Section 7.1, Buyer may proceed with the Closing without satisfaction, in whole or in part, of any one or more of such conditions and without written waiver. To the extent that at the Closing the Company delivers to Buyer a written notice specifying in reasonable detail the failure of any such conditions or the breach by the Company of any of the agreements, covenants, representations or warranties of the Company herein, and Buyer nevertheless proceeds with the Closing, Buyer shall be deemed (unless otherwise agreed) to have waived for all purposes any rights or remedies it may have against the Company (including any rights or remedies under Section 9.1) by reason of the failure of any such conditions or the breach of any such agreements, covenants, representations or warranties to the extent described in such notice.

7.2 Conditions to the Company's Obligations. The obligation of the Company to take the actions required to be taken by it at the Closing is subject to the satisfaction or waiver, in whole or in part, in the Company's sole discretion (but no such waiver will waive any right or remedy otherwise available under this Agreement), of each of the following conditions at or prior to the Closing:

(a) The representations and warranties of Buyer made in this Agreement shall be true and correct: (i) in all material respects as of the date hereof; and (ii) on and as of the Closing Date, as though made on such date, (x) except for those representations and warranties which refer to facts existing at a specific date, (y) except as specifically contemplated by this Agreement, and (z) except to the extent any breaches of such representations and warranties would not in the aggregate have a Material Adverse Effect. Buyer shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Buyer on or before the Closing Date; and Buyer shall have delivered to the Company a certificate dated the Closing Date and signed by an authorized officer of Buyer confirming the foregoing;

(b) Buyer shall have paid to the Company the Closing Amount required to be paid pursuant to Section 2.6;

(c) The Required Consents shall have been obtained;

(d) No Law or Governmental Order will have been enacted, entered, enforced, promulgated, issued or deemed applicable to the transactions contemplated by this Agreement by any Governmental Entity that prohibits the Closing;

(e) Company will have received an opinion of counsel to Buyer, in the form of *Exhibit D*; and

(f) Buyer will have delivered each of the certificates, instruments and other documents that it is obligated to deliver pursuant to Section 2.7.

VIII. Termination

8.1 Termination. This Agreement may be terminated prior to the Closing:

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

(b) by the Company, if:

(i) Buyer has breached any representation, warranty or agreement contained in this Agreement in any material respect and such breach has not been cured within thirty (30) calendar days after the Company's notice to Buyer of such breach or, if cure is not possible within thirty (30) calendar days, if Buyer is not diligently pursuing the cure;

(ii) the transactions contemplated by this Agreement will not have been consummated on or before June 30, 2008; *provided*, that the Company will not be entitled to terminate this Agreement pursuant to this Section 8.1(b)(ii) if the Company's failure to comply fully with its obligations under this Agreement has prevented the consummation of the transactions contemplated by this Agreement;

(iii) any of the conditions set forth in Section 7.2 will have become impossible to satisfy;

(c) by Buyer, if:

(i) the Company has breached any representation, warranty or agreement contained in this Agreement in any material respect and such breach has not been cured by the Closing Date, if cure is possible;

(ii) the transactions contemplated by this Agreement will not have been consummated on or before June 30, 2008; *provided*, that Buyer will not be entitled to terminate this Agreement pursuant to this Section 8.1(c)(ii) if Buyer's failure to comply fully with its obligations under this Agreement has prevented the consummation of the transactions contemplated by this Agreement;

(iii) a Material Adverse Effect has occurred following the date hereof;

(iv) any of the conditions set forth in Section 7.1 will have become impossible to satisfy unless such impossibility is a result of Buyer's intentional actions;
or

(v) the Company updates the Disclosure Schedule after the date of this Agreement.

8.2 Effect of Termination. In the event of termination of this Agreement pursuant to Section 8.1:

(i) The party effecting the termination (if under any section other than 8.1(a)) shall deliver to the other party a written notice of termination, which notice shall specify the subsection under which it is being delivered;

(ii) The parties shall promptly deliver a joint written instruction to the Escrow Holder directing it to disburse the Escrow Funds to the Company; *provided*, however, that if Buyer terminates this Agreement pursuant to Sections 8.1(c)(i) or 8.1(c)(iii), the joint written instruction shall instead direct the Escrow Holder to disburse

from the Escrow Funds the sum of the following to the Company (with the balance to be disbursed to Buyer): (x) \$25,000, (y) the amount that the Company has paid to Buyer as reimbursement for Buyer's expenses related to its due diligence review, and (z) the Company's reasonable out-of-pocket expenses (including without limitation, legal expense) incurred in connection with the transactions contemplated hereby;

(iii) Each party shall return to the other party or destroy all documents concerning confidential information of the other party (and, upon request, certify as to the destruction thereof);

(iv) No party shall have any liability or further obligation to the other party hereunder, except for obligations of confidentiality and non-use with respect to the other party's confidential information, which shall survive the termination of this Agreement and no party shall be entitled to any monetary damages or injunctive relief (including specific performance) as a result of such termination, or any indemnification under Section 9;

(v) The provisions of Sections 6.3, 10.1, 10.2, 10.3, 10.4, 10.7, 10.9, 10.10, 10.11, 10.12 and 10.15 hereof shall remain in full force and effect; and

(vi) In no event shall any termination of this Agreement limit or restrict the rights and remedies of any party hereto against any other party which has intentionally and willfully breached any of the agreements or other provisions of this Agreement prior to termination thereof.

IX. Indemnification

9.1 Indemnification by the Company.

(a) The Company will indemnify in full Buyer and hold it harmless against any Loss arising from, relating to or constituting (i) any breach or inaccuracy in any of the representations and warranties of the Company contained in this Agreement or in the Disclosure Schedule as the same may be brought down to the Closing Date or any closing certificate delivered by or on behalf of the Company pursuant to this Agreement; (ii) any product sold, manufactured or licensed by, any services provided by or the ownership, lease or control of property by the Company prior to the Closing Date; (iii) any matter disclosed on *Schedule 9.1*, (iv) any liability of the Company for Taxes incurred on or prior to the Closing Date; (v) failure of the Company to pay and discharge the obligations of the Company which are not Assumed Liabilities, including any liability imposed on Buyer as a matter of Law; (vi) any claim by a customer of Buyer for a credit, discount or payment arising out of any sales made by the Company on or prior to the Closing Date; (vii) any noncompliance with any bulk sales laws or fraudulent transfer law in respect of the contemplated transactions; (viii) any liability that may result from an "*Employment Loss*," as defined by 29 U.S.C. 2101(a)(6), caused by Buyer's decision not to hire previous employees of the Business; (ix) any Plan established or maintained by the Company; (x) any Retained Liabilities; and (xii) any breach of any of the agreements of the Company contained in this Agreement (collectively, "*Buyer Losses*"). The parties agree that, in determining the amount of any Buyer Loss, the basis for Buyer's formulation of the Purchase Price, including any multiple of earnings, cash flows or related measures, will be considered.

(b) The Company will indemnify Buyer for Buyer Losses (i) resulting from breaches or inaccuracies of the representations and warranties contained in Article III and (ii) pursuant to Section 9.1(a)(ii) only if the aggregate amount of all Buyer Losses attributable to clauses (i) and (ii) exceeds \$25,000 (the "*Basket Amount*"), in which case the Company will be liable for the aggregate amount of all Buyer Losses in excess of the Basket Amount, subject to the limitations in Section 9.1.

(c) The Company's liability will not exceed \$750,000 for Buyer Losses resulting from breaches or inaccuracies of the representations and warranties contained in Article III.

(d) The indemnification provided for in Section 9.1(a)(i) shall terminate two years after the Closing Date (and no claims shall be made by Buyer under Section 9.1(a) thereafter), except that the indemnification by the Company shall continue as to the representations and warranties of the Company set forth in Section 3.11 (Tax Matters) or 3.19 (Employee Benefits) which shall survive until the expiration of the relevant statutory period of limitation applicable to the underlying claim, giving effect to any waiver, mitigation or extension thereof, and 3.25 (Brokerage) which shall survive indefinitely.

(e) If Buyer has a claim for indemnification under this Section 9.1, Buyer will deliver to the Company one or more prompt written notices of Buyer Losses (each a "*Buyer Claim*") prior to the second anniversary of the Closing Date, except for Buyer Losses arising from a breach or inaccuracy in the representations and warranties made in Section 3.11 (Tax Matters) or 3.19 (Employee Benefits) for which Buyer will deliver a Buyer Claim prior to thirty (30) days after the expiration of the applicable statute of limitations. The Company will have no liability under this Section 9.1 unless the written notices required by the preceding sentence are given by the date specified. Any Buyer Claim will state in reasonable detail the basis for such Buyer Losses to the extent then known by Buyer and the nature of the Buyer Loss for which indemnification is sought, and state the amount of the Buyer Loss claimed. If such Buyer Claim (or an amended Buyer Claim) states the amount of the Buyer Loss claimed and the Company notifies Buyer that the Company does not dispute the claim described in such notice or fails to notify Buyer within 20 business days after delivery of such notice by Buyer whether the Company disputes the claim described in such notice, the Buyer Loss in the amount specified in Buyer's notice will be admitted by the Company (an "*Admitted Claim*"), and the Company will pay the amount of such Buyer Loss to Buyer except that Buyer Loss shall exclude (i) any insurance proceeds and benefits in respect thereof, (ii) any indemnification, continuation or other similar payment actually recovered by Buyer, and (iii) any Tax benefits or refund actually received or enjoyed by Buyer as a result of the Buyer Loss. If the Company has timely disputed the liability of the Company with respect to a Buyer Claim (or an amended Buyer Claim) stating the amount of a Buyer Loss claimed, the Company and Buyer will proceed in good faith to negotiate a resolution of such dispute. If a claim for indemnification has not been resolved within 30 days after delivery of the Company's notice, Buyer may seek judicial recourse. If a Buyer Claim does not state the amount of the Buyer Loss claimed, such omission will not preclude Buyer from recovering from the Company the amount of the Buyer Loss described in such Buyer Claim if any such amount is subsequently provided in an amended Buyer Claim. In order to assert its right to indemnification under this Article IX, Buyer will not be required to provide any notice except as provided in this Section 9.1(e) or 9.3, as applicable.

(f) The Company will pay the amount of any Buyer Loss to Buyer within thirty (30) days following the determination of the Company's liability for and the amount of a Buyer Loss (whether such determination is made pursuant to the procedures set forth in Section 9.1(e)), by agreement between Buyer and the Company, by arbitration award or by final adjudication).

9.2 Indemnification by Buyer.

(a) Buyer will indemnify in full the Company and hold it harmless against any Loss arising from, relating to or constituting (i) any breach or inaccuracy in any of the representations and warranties of Buyer contained in this Agreement or in any certificate delivered by or on behalf of Buyer pursuant to this Agreement, (ii) any breach of any of the agreements of Buyer contained in this Agreement, (iii) the failure of Buyer to assume, pay and discharge the Assumed Liabilities and (iv) any Liability resulting exclusively from the ownership or use of the Acquired Assets after Closing ("*Company Losses*").

(b) Buyer will indemnify the Company for Company Losses pursuant to Section 9.2(a)(i) only if the aggregate amount of all Company Losses attributable to Section 9.2(a)(i) exceeds \$25,000 (the "*Company Basket Amount*"), in which case Buyer will be liable for the aggregate amount of Company Losses.

(c) Buyer's liability shall not exceed \$750,000 for Company Losses resulting from breach of Section 9.2(a)(i).

(d) If the Company has a claim for indemnification under this Section 9.2, the Company will deliver to Buyer one or more written notices of Company Losses prior to the third anniversary of the Closing Date. Buyer will have no liability under this Section 9.2 unless the written notices required by the preceding sentence are given in a timely manner. Any written notice will state in reasonable detail the basis for Company Losses to the extent then known by the Company and the nature of the Company Loss for which indemnification is sought, and it may state the amount of the Company Loss claimed. If such written notice (or an amended notice) states the amount of the Company Loss claimed and Buyer notifies the Company that Buyer does not dispute the claim described in such notice or fails to notify the Company within 20 business days after delivery of such notice by the Company whether Buyer disputes the claim described in such notice, the Company Loss in the amount specified in the Company's notice will be admitted by Buyer, and Buyer will pay the amount of the Company Loss to the Company. If Buyer has timely disputed its liability with respect to such claim, Buyer and the Company will proceed in good faith to negotiate a resolution of such dispute. If a claim for indemnification has not been resolved within 30 days after delivery of Buyer's notice, the Company may seek judicial recourse. If a written notice does not state the amount of the Company Loss claimed, such omission will not preclude the Company from recovering from Buyer the amount of the Company Loss with respect to the claim described in such notice if any such amount is promptly provided once determined. In order to assert its right to indemnification under this Article IX, the Company will not be required to provide any notice except as provided in this Section 9.2.

(e) Buyer will pay the amount of any the Company Loss to the Company within 10 days following the determination of Buyer's liability for and the amount of the

Company Loss (whether such determination is made pursuant to the procedures set forth in this Section 9.2, by agreement between the Company and Buyer, by arbitration award or by final adjudication).

9.3 Third-Party Action.

(a) The Company will indemnify, defend and hold harmless Buyer and its officers, directors, employees, agents, shareholders and Affiliates (collectively, the "*Buyer Indemnified Parties*") against any Loss arising from, relating to or constituting any Litigation instituted by any third party arising out of the actions or inactions of the Company whether occurring prior to, on or after the Closing Date that are Buyer Losses (any such third party action or proceeding being referred to as a "*Third-Party Action*"). A Buyer Indemnified Party will give the Company prompt written notice of the commencement of a Third-Party Action. The complaint or other papers pursuant to which the third party commenced such Third-Party Action will be attached to such written notice (and if the Third-Party Action consists of a verbal claim, the Buyer Indemnified Party shall provide the Company with a written summary thereof). Thereafter, the Buyer Indemnified Party shall deliver to the Company, promptly after receipt thereof, copies of all notices and documents (including court papers) received by any Buyer Indemnified Party relating to the Third-Party Action. The failure of a Buyer Indemnified Party to comply with its obligations under this Section 9.3(a) will not affect any Buyer Indemnified Party's right to indemnification except to the extent such failure has prejudiced the Company's ability to defend successfully such Third-Party Action.

(b) The Company shall have the right at any time after the receipt of notice of a Third-Party Action, at its option and at its own expense, to be represented by counsel of its choice and to control, defend against, negotiate and otherwise deal with such Third-Party Action. A Buyer Indemnified Party will be entitled at any time, at its own cost and expense, to be represented by attorneys of its own choosing in the Third-Party Action. Regardless of whether the Buyer Indemnified Party elects to participate in such defense, the Buyer Indemnified Party will cooperate with the Company to the extent reasonably requested by the Company in the contest and defense of such Third-Party Action, including providing reasonable access (upon reasonable notice) to the books, records and employees of the Buyer Indemnified Party if relevant to the defense of such Third-Party Action; *provided*, that such cooperation will not unduly disrupt the operations of the business of the Buyer Indemnified Party or cause the Buyer Indemnified Party to waive any statutory or common law privileges, breach any confidentiality obligations owed to third parties or otherwise cause any confidential information of such Buyer Indemnified Party to become public.

(c) If the Company does not contest and defend the Third-Party Action, the Buyer Indemnified Party will be entitled to conduct its own defense and to be represented by attorneys of its own choosing all at the Company's cost and expense, whereupon the Company will pay as incurred (no later than 25 days after presentation) the reasonable fees and expenses of the counsel retained by such Buyer Indemnified Party.

(d) Neither a Buyer Indemnified Party nor the Company may concede, settle or compromise any Third-Party Action without the consent of the other party, which consents will not be unreasonably withheld or delayed; provided that the consent of the Buyer Indemnified Party shall not be required if the Company agrees in writing to pay any amounts

payable pursuant to such settlement or compromise and such settlement or compromise includes a complete written release of the Buyer Indemnified Party from further liability and does not impose any injunctive relief or other operational restrictions on the Buyer Indemnified Party.

9.4 Offset. Buyer shall have the right to set-off against its obligations to pay Installments to the Company any of the Company's obligations to any Buyer Indemnified Party arising under this Article IX.

9.5 Sole and Exclusive Remedy. Prior to or in connection with the Closing, the parties will have available to them all remedies available at law or in equity in accordance with the terms of this Agreement. After the Closing, the rights set forth in Sections 9.1, 9.2 and, to the extent applicable, 9.3 will be the exclusive remedy for breach or inaccuracy of any of the representations and warranties contained in Article III and IV of this Agreement and will be in lieu of contract remedies, but the parties otherwise will have available to them all other remedies available at law or in equity. Notwithstanding the foregoing, nothing in this Agreement will prevent any party from bringing an action based upon fraud or willful misconduct by the other party in connection with this Agreement. In the event such action is brought, the prevailing party's attorneys' fees and costs will be paid by the nonprevailing party.

9.6 Tax Treatment Adjustment. Any payment to Buyer or the Company under this Article IX will be, for Tax purposes, to the extent permitted by Law, an adjustment to the Purchase Price.

9.7 Mitigation; Insurance. Each of the parties agrees to take all reasonable steps to mitigate their respective Liabilities and expenses upon and after becoming aware of any event or condition which could reasonably be expected to give rise to any Liabilities and expenses that are indemnifiable hereunder. The Company shall have no liability under any provisions of this Agreement for any Buyer Losses related to actions taken or omitted to be taken by a Buyer Indemnified Party after the Closing Date. For purposes of determining the amount of any Buyer Losses, such amount shall be reduced by the amount of any insurance benefits and proceeds (collectively, "*Insurance Benefits*") paid to Buyer or any Affiliate thereof in respect of the Buyer Losses (net of any deductible amounts), or if paid to Buyer subsequent to the Company paying Buyer on the indemnity hereunder then such amount subsequently paid (up to the amount of the indemnity payment) shall be paid to the Company within five (5) days of Buyer's receipt of such funds.

9.8 Subrogation. Upon making any payment to a Buyer Indemnified Party for any indemnification claim pursuant to this Article IX, the Company shall be subrogated, to the extent of such payment, to any rights which the Buyer Indemnified Party may have against any third-parties with respect to the subject matter underlying such indemnification claim and the Buyer Indemnified Party shall assign any such rights to the Company.

9.9 No Special Damages. In no event shall any party have any liability under Section 9.1 or 9.2 of Agreement for any special, exemplary, punitive or consequential damages (including loss of profit or revenue) suffered or incurred by any other party. While the Company shall be responsible for all Losses arising in Third-Party Actions, the Company shall not be responsible for any special, exemplary, punitive or consequential damages (including loss of

profit or revenue) suffered by Buyer (as opposed to the third party) in relation to a Third-Party Action.

X. General

10.1 Press Releases and Announcements. From the date of this Agreement, neither Buyer nor the Company shall, without the written approval of the other (such approval not to be unreasonably withheld or delayed), make any press release or other public announcement concerning the transactions contemplated by this Agreement, except as and to the extent that any such party shall be so obligated by applicable requirements of Law, in which case such party shall allow the other party reasonable time to comment on such release or announcement and the parties shall use their reasonable efforts to cause a mutually agreeable release or announcement to be issued; provided, however, that the foregoing shall not preclude communications or disclosures necessary to implement the provisions of this Agreement or to comply with any accounting or British Columbia Securities Commission or U.S. Securities and Exchange Commission disclosure obligations or the rules of any stock exchange or national market system.

10.2 Expenses. Except as otherwise expressly provided for in this Agreement, the Company, on the one hand, and Buyer, on the other hand, will each pay all expenses incurred by each of them in connection with the transactions contemplated by this Agreement, including legal, accounting, investment banking and consulting fees and expenses incurred in negotiating, executing and delivering this Agreement and the other agreements, exhibits, documents and instruments contemplated by this Agreement (whether the transactions contemplated by this Agreement are consummated or not).

10.3 Amendment and Waiver. This Agreement may not be amended, a provision of this Agreement or any default, misrepresentation or breach of warranty or agreement under this Agreement may not be waived, and a consent may not be rendered, except in a writing executed by the party against which such action is sought to be enforced. Neither the failure nor any delay by any Person in exercising any right, power or privilege under this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. In addition, no course of dealing between or among any Persons having any interest in this Agreement will be deemed effective to modify or amend any part of this Agreement or any rights or obligations of any Person under or by reason of this Agreement.

10.4 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given (i) when delivered if personally delivered by hand (with written confirmation of receipt), (ii) when received if sent by a nationally recognized overnight courier service (receipt requested), (iii) five business days after being mailed, if sent by first class mail, return receipt requested, or (iv) when receipt is acknowledged by an affirmative act of the party receiving notice, if sent by facsimile, telecopy or other electronic transmission device (provided that such an acknowledgement does not include an acknowledgment generated automatically by a facsimile or telecopy machine or other electronic transmission device). Notices, demands and communications to Buyer and the Company will, unless another address is specified in writing, be sent to the address indicated below:

If to Buyer:

Pyng Medical Corp.
#7-13511 Crestwood Place
Richmond, British Columbia, Canada V64 2E9
Attn: David Christie
Facsimile No.: (604) 303-7987

With a copy to:

Dorsey & Whitney LLP
1605-777 Dunsmuir Street
P.O. Box 10444, Pacific Centre
Vancouver, British Columbia, Canada V7Y 1K4
Attn: Jeffrey A. Peterson
Facsimile No.: (604) 687-8504

If to the Company:

Bio Cybernetics International
1815 Wright Avenue
La Verne, California 91750
Attn: Matthew Waidelich, President
Facsimile No.: 909-363-7311

With a copy to:

Sheppard Mullin Richter & Hampton LLP
333 South Hope Street
Los Angeles, California 90071-1448
Attn: David I. Sunkin, Esq.
Facsimile No.: (213) 443-2750

10.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned by any party to this Agreement without the prior written consent of the other parties to this Agreement, except that Buyer may assign any of its rights under this Agreement to a wholly-owned subsidiary, so long as Buyer remains responsible for the performance of all of its obligations under this Agreement. Subject to the foregoing, this Agreement and all of the provisions of this Agreement will be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and permitted assigns.

10.6 No Third-Party Beneficiaries. Nothing expressed or referred to in this Agreement confers any rights or remedies upon any Person that is not a party or permitted assign of a party to this Agreement.

10.7 Complete Agreement. This Agreement, the Escrow Agreement, the Confidentiality Agreement and, when executed and delivered, the Ancillary Agreements, contain the complete agreement between the parties and supersede any prior understandings, agreements or representations by or between the parties, written or oral. The Company acknowledges that

Buyer has made no representations, warranties, agreements, undertakings or promises except for those expressly set forth in this Agreement or in agreements referred to herein that survive the execution and delivery of this Agreement.

10.8 Schedules. The Disclosure Schedule contains a series of schedules corresponding to the sections contained in Article III. Nothing in the Disclosure Schedule is deemed adequate to disclose an exception to a representation or warranty made in this Agreement unless the Disclosure Schedule identifies in the corresponding schedule the exception with particularity. The schedules in the Disclosure Schedule relate only to the representations and warranties in the section and subsection of this Agreement to which they correspond and not to any other representation or warranty in this Agreement unless a cross reference to such other section or subsection is indicated. In the event of any inconsistency between the statements in this Agreement and statements in the Disclosure Schedule, the statements in this Agreement will control and the statements in the Disclosure Schedule will be disregarded.

10.9 Signatures; Counterparts. This Agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same instrument. A facsimile signature will be considered an original signature.

10.10 Governing Law. **THE DOMESTIC LAW, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, OF THE STATE OF CALIFORNIA WILL GOVERN ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY AND INTERPRETATION OF THIS AGREEMENT AND THE PERFORMANCE OF THE OBLIGATIONS IMPOSED BY THIS AGREEMENT.**

10.11 Jurisdiction. Subject to the procedures specified in Section 2.8, each of the parties submits to the exclusive jurisdiction of any state or federal court sitting in Los Angeles, California in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. Each party also agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other party with respect to any such action or proceeding.

10.12 Waiver of Jury Trial. **EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (iii) IT MAKES SUCH WAIVER**

VOLUNTARILY AND (iv) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 10.11.

10.13 Attorneys' Fees. If any action, suit, arbitration or other proceeding for the enforcement of this Agreement is brought, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions hereof, the successful or prevailing party shall be entitled to recover reasonable attorneys' fees and other costs incurred in that proceeding, in addition to any other relief to which it may be entitled.

10.14 Disclaimer of Warranties. The Company make no representations or warranties with respect to any projections, forecasts or forward-looking information provided to Buyer. There is no assurance that any projected or forecasted results will be achieved. **WITHOUT LIMITING THOSE MATTERS EXPRESSLY COVERED BY THE REPRESENTATIONS AND WARRANTIES IN THIS AGREEMENT, THE COMPANY MAKES NO REPRESENTATION OR WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AND NO IMPLIED WARRANTIES WHATSOEVER.** Buyer acknowledges that neither the Company nor any of its representatives nor any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any memoranda, charts, summaries, presentation or Schedules heretofore made available by the Company or their representatives to Buyer or any Affiliate of Buyer or any other information which is not included in this Agreement or the Schedules hereto, and neither the Company nor any of their representatives nor any other Person will have or be subject to any liability to Buyer, any Affiliate of Buyer or any other Person resulting from the distribution of any such information to, or use of any such information by, Buyer, any Affiliate of Buyer or any of their agents, consultants, accountants, counsel or other representatives.

10.15 Construction. The parties and their respective counsel have participated jointly in the negotiation and drafting of this Agreement. In addition, each of the parties acknowledges that it is sophisticated and has been advised by experienced counsel and, to the extent it deemed necessary, other advisors in connection with the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. The parties intend that each representation, warranty and agreement contained in this Agreement will have independent significance. If any party has breached any representation, warranty or agreement in any respect, the fact that there exists another representation, warranty or agreement relating to the same subject matter (regardless of the relative levels of specificity) that the party has not breached will not detract from or mitigate the fact that the party is in breach of the first representation, warranty or agreement. Any reference to any Law will be deemed to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The headings preceding the text of articles and sections included in this Agreement and the headings to the schedules and exhibits are for convenience only and are not be deemed part of this Agreement or given effect in interpreting this Agreement. References to sections, articles, schedules or exhibits are to the sections, articles, schedules and exhibits contained in, referred to or attached to this Agreement, unless otherwise specified. The word "including" means "including without limitation." A statement that an action has not occurred in the past means that it is also not presently occurring. When any party may take any

permissive action, including the granting of a consent, the waiver of any provision of this Agreement or otherwise, whether to take such action is in its sole and absolute discretion. The use of the masculine, feminine or neuter gender or the singular or plural form of words will not limit any provisions of this Agreement. A statement that an item is listed, disclosed or described means that it is correctly listed, disclosed or described, and a statement that a copy of an item has been delivered means a true and correct copy of the item has been delivered.

10.16 Time of Essence. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

IN WITNESS WHEREOF, Buyer and the Company have executed this Asset Purchase Agreement as of the date first above written.

BUYER:

PYNG MEDICAL CORP.

By: 
Name: David B. Chispe
Title: President & CEO

THE COMPANY:

BIO CYBERNETICS INTERNATIONAL

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, Buyer and the Company have executed this Asset Purchase Agreement as of the date first above written.

BUYER:

PYNG MEDICAL CORP.

By: _____
Name: _____
Title: _____

THE COMPANY:

BIO CYBERNETICS INTERNATIONAL

By: Matt Waideich
Name: MATT WAIDEICH
Title: PRESIDENT

DISCLOSURE SCHEDULE TO

ASSET PURCHASE AGREEMENT

between

PYNG MEDICAL CORP.

and

BIO CYBERNETICS INTERNATIONAL

made as of

May 31, 2008

This Disclosure Schedule is being delivered pursuant to and forms part of that certain Asset Purchase Agreement made as of May 31, 2008 between Pyng Medical Corp., a British Columbia corporation, and Bio Cybernetics International, a California corporation (the "Purchase Agreement"). Any capitalized terms used but not defined herein which are defined in the Purchase Agreement shall have the meanings set forth in the Purchase Agreement, unless the context otherwise requires.

The schedules in this Disclosure Schedule relate only to the representations and warranties in the section and subsection of the Purchase Agreement to which they correspond and not to any other representation or warranty in the Purchase Agreement unless a cross reference to such other section or subsection is indicated. Each reference to an agreement, contract, list, instrument or other matter listed in this Disclosure Schedule (or any sub-schedules, exhibits or attachments included herein) shall be deemed to incorporate herein such referenced item and the terms thereof. Neither the specification of any dollar amount in any representation or warranty contained in the Purchase Agreement nor the inclusion of any specific item in any schedule hereto is intended to vary the definition of Material Adverse Effect or to imply that such amount, or higher or lower amounts, or the item so included or other items, are or are not material, and no party shall use the fact of the setting forth of any such amount or the inclusion of any such item in any dispute or controversy between the parties as to whether any obligation, item or matter not described herein or included in any schedule is or is not material for purposes of the Purchase Agreement. Unless the Purchase Agreement specifically provides otherwise, the inclusion of any specific item in any schedule hereto is not intended to imply that such item or matter, or other items or matters, are or are not in the Ordinary Course of Business, and no party shall use the fact of the setting forth or the inclusion of any such item or matter in any dispute or controversy between the parties as to whether any obligation, item or matter not included in any schedule is or is not in the Ordinary Course of Business for purposes of the Purchase Agreement.

Schedule 2.1(a)
Tangible Personal Property

(3)	[REDACTED]
(1)	[REDACTED]
(1)	[REDACTED]
(1)	[REDACTED]
(1)	[REDACTED]
(1)	[REDACTED]
(1)	[REDACTED]
(1)	[REDACTED]
The following [REDACTED]	
• [REDACTED]	
• [REDACTED]	
• [REDACTED]	
• [REDACTED]	
The following [REDACTED]	
• [REDACTED]	
• [REDACTED]	
• [REDACTED]	
Limited production tooling [REDACTED]	

Schedule 2.1(j)

Domain Names

1. [REDACTED]
2. [REDACTED]
3. [REDACTED]
4. [REDACTED]
5. [REDACTED]
6. [REDACTED]
7. [REDACTED]
8. [REDACTED]
9. [REDACTED]
10. [REDACTED]
11. [REDACTED]
12. [REDACTED]
13. [REDACTED]
14. [REDACTED]

Schedule 2.2(o)

Other Excluded Assets

1. Contract with [REDACTED]
2. The following domain names and websites:
 - (a) [REDACTED]
3. The following Aged AR:

Customer	Amount Outstanding
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Schedule 2.3(b)

Customer Purchase Orders

None.

Schedule 2.3(c)

Vendor Purchase Orders for Inventory or Raw Materials

<u>Order #</u>	<u>Vendor</u>	<u>Item</u>	<u>Quantity</u>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Schedule 2.3(d)

Other Assumed Liabilities

1. [REDACTED]
2. [REDACTED]
3. [REDACTED]

Schedule 2.4(e)

Other Retained Liabilities

1.

[REDACTED]

Schedule 2.6(b)

Sales Forecast

See attached.

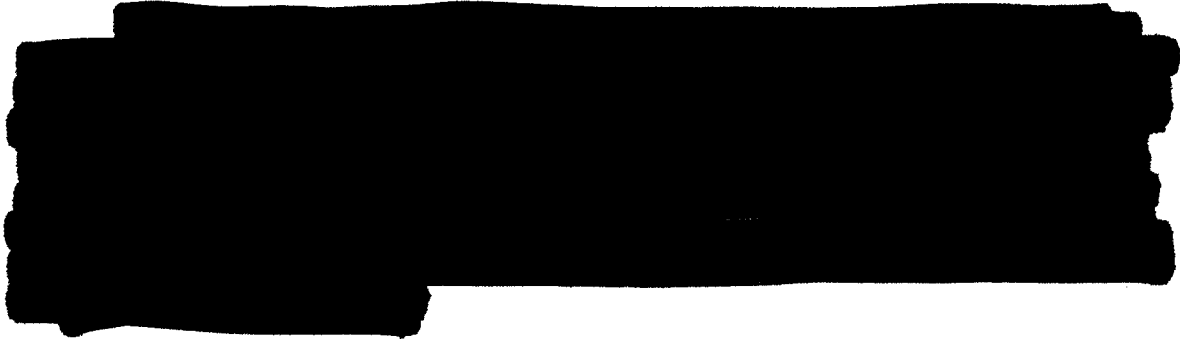
Schedule 2.8

Exceptions to Preparation of Business Working Capital Statement

None.

Schedule 2.9

Allocation Schedule



Schedule 3.3

Conflicts and Consents

1. [REDACTED]
2. [REDACTED]
3. [REDACTED]
4. [REDACTED]

Schedule 3.6

Other Liabilities Required by GAAP

None.

Schedule 3.12

Intellectual Property Rights - Exceptions

1. [REDACTED]

2. The Company has only used the "TM" symbol to identify trademarks in its distributing products, irrespective to whether the trademark so identified has been registered.

3. [REDACTED]

Schedule 3.12(i)

Registered Intellectual Property Rights

1. Patents and patent applications:

Title	Serial No./Filing Date	Patent No./Issue Date	Inventor(s)	Country Code
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	«	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	«	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	«	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	«	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	«	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	«	[REDACTED]

1

		2007		
			«	
			«	

2. United States trademark registrations:

Mark	Class: Goods/Services	Reg. No.	Reg. Date	Status

3. Canadian trademark registrations:

Mark	Wares	Reg. No.	Reg. Date	Status

4. European Union Community trademark registrations:

Mark	Class: Goods	Reg. No.	Reg. Date	Status
				

5. Japanese trademark registrations:

Mark	Class: Goods	Reg. No.	Reg. Date	Status
				

Schedule 3.12(ii)

Licensed-In Intellectual Property Rights Other than Software

1. See footnote 1 on Schedule 3.12(i) hereof which is incorporated herein by reference.

Schedule 3.12(iii)

Licensed-In Software

None.

Schedule 3.12(b)

Encumbrances on Owned Intellectual Property Rights

[REDACTED]

1. [REDACTED]

2. [REDACTED]

3. [REDACTED]

Schedule 3.12(d)

Trade Secrets

None.

Schedule 3.13

Material Contracts

(i)

[REDACTED]

(ii)

1.

[REDACTED]

2.

[REDACTED]

3.

[REDACTED]

4.

[REDACTED]

5.

[REDACTED]

6.

[REDACTED]

(iii)

[REDACTED]

(iv)

1.

[REDACTED]

(v)

[REDACTED]

(vi)

[REDACTED]

(vii)

[REDACTED]

(viii)

1. [REDACTED]

2. [REDACTED]

3. [REDACTED]

4. [REDACTED]

5. [REDACTED]

(ix)

1.. [REDACTED]

2.. [REDACTED]

3.. [REDACTED]

4.. [REDACTED]

5. [REDACTED]

6. [REDACTED]

(x)

1. [REDACTED]

2. [REDACTED]

3. [REDACTED]

4. [REDACTED]

5. [REDACTED]

6. [REDACTED]

7. [REDACTED]

8. [REDACTED]

(xi)

[REDACTED]

(xii)

[REDACTED]

Schedule 3.15(b)

Governmental Authorizations

1.

[REDACTED]

2.

[REDACTED]

Schedule 3.17

Warranty Claims

1. 

Schedule 3.19

Employee Benefit Plans

1.

[REDACTED]

2.

[REDACTED]

3.

[REDACTED]

Schedule 3.21

Customers

Top 5 customers including distributors:

2007

2006

Customer	Percentage of Net Sales	Customer	Percentage of Net Sales
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	

Top 5 customers not including distributors:

2007

Customer
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Schedule 3.22

Suppliers

2007

2006

Supplier	Percentage of Purchases	Supplier	Percentage of Purchases
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Schedule 4.4

Litigation or Regulatory Action

None.

Schedule 5.5

Required Consents

1.

a.

b.

EXHIBIT A

BILL OF SALE

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Bio Cybernetics International, a California corporation ("*Seller*"), hereby sells, assigns and transfers to Pyng Medical Corp., a British Columbia corporation ("*Buyer*"), pursuant to the terms and conditions of that certain Asset Purchase Agreement between Seller and Buyer dated as of May 31, 2008 (the "*Agreement*"), all of its right, title and interest in and to each and all of the Acquired Assets which are Tangible Personal Property, Inventory and Books and Records, as such terms are defined in the Agreement, and all of the assets listed on the relevant Schedules to Section 2.1, free and clear of all mortgages, liens, claims, charges, encumbrances, security interests, pledges or title retention agreements or leases of any kind or nature.

The assets and properties in this Bill of Sale are being transferred to Buyer without reservation or qualification and Seller agrees to duly execute, acknowledge, deliver, and perform all further acts, deeds, assignments, transfers, conveyances, powers of attorney, and assurances that may be required to convey to and vest title in Buyer, its successors and assigns, and protect Buyer's right, title, and interest in and enjoyment of all the assets intended to be assigned, transferred, and conveyed pursuant to this Bill of Sale, or that may be appropriate otherwise to carry out the transactions contemplated by this Bill of Sale and the Agreement.

This Bill of Sale is executed in accordance with the terms and conditions of the Agreement, and the terms of this Bill of Sale are subject to the terms and provisions of that Agreement.

Dated: as of May 31, 2008

BIO CYBERNETICS INTERNATIONAL

By: _____

Name: _____

Title: _____

EXHIBIT B

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement ("*Assignment*") is made as of May 31, 2008 by and between Bio Cybernetics International, a California corporation ("*Assignor*"), and Pyng Medical Corp., a British Columbia corporation ("*Assignee*").

WHEREAS, Assignor and Assignee are parties to that certain Asset Purchase Agreement, dated as of even date herewith (the "*Agreement*"), pursuant to which Assignor has agreed to sell, transfer, assign, convey and deliver to Assignee, and Assignee has agreed to purchase and acquire from Assignor, all of Assignor's right, title and interest in and to the Acquired Assets;

WHEREAS, Assignor's right, title and interest in certain tangible assets are being transferred concurrently herewith pursuant to a Bill of Sale executed by Assignor;

WHEREAS, Assignor's right, title and interest in the Registered Intellectual Property assets are being transferred concurrently herewith pursuant to an Assignment of Trademarks and an Assignment of Patents;

WHEREAS, pursuant to the Agreement, Assignee has agreed to assume the Assumed Liabilities; and

WHEREAS, Assignee and Assignor desire to set forth the terms of the sale, transfer, assignment, conveyance, and delivery of the remaining Acquired Assets and the assumption of the Assumed Liabilities.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth below and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Agreement.
2. Assignor hereby transfers, assigns and conveys to Assignee, to the extent assignable by Assignor, its entire right title and interest in, to and under the Assigned Contracts, Receivables, Intangible Rights, Acquired Intellectual Property (other than Registered Intellectual Property) and the domain names, including those listed on Schedule 1 attached hereto.
3. Assignee hereby accepts the foregoing assignment and hereby assumes and agrees to perform, pay and discharge when due all Assumed Liabilities, including the liabilities listed on Schedule 1 attached hereto and, to the extent those Assigned Contracts listed on such Schedule 1 are assignable by Assignor to Assignee, all executory obligations under such Assigned Contracts arising or to be performed after May 31, 2008.

4. This Assignment is executed in accordance with the terms and conditions of the Agreement, and is subject to the terms and conditions of the Agreement.

5. Each party shall duly execute, acknowledge and deliver any assignments, conveyances and other assurances, documents and instruments of transfer or assumption, reasonably requested by either party and will take any other action consistent with the terms of this Agreement that may reasonably be requested by either party for the purpose of better transferring to Assignee the Acquired Assets or the assumption of the Assumed Liabilities by Assignee.

6. This Assignment may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties herein have executed this Assignment as of the date set forth in the first paragraph.

BIO CYBERNETICS INTERNATIONAL

By: _____
Name: _____
Title: _____

PYNG MEDICAL CORP.

By: _____
Name: _____
Title: _____

SCHEDULE 1

1. See Schedules 2.3(c), 2.3(d) and 3.13 of the Agreement.

EXHIBIT C

FORM OF SELLER COUNSEL'S LEGAL OPINION

May __, 2008

Pyng Medical Corp.
#7-13511 Crestwood Place
Richmond, British Columbia, Canada V64 2E9

Ladies and Gentlemen:

We have acted as special counsel for Bio Cybernetics International, a California corporation (the "Company"), in connection with that certain Asset Purchase Agreement dated as of May __, 2008 (the "Purchase Agreement") between the Company and Pyng Medical Corp., a British Columbia corporation (the "Purchaser"). This opinion is given to you pursuant to Section 7.1(j) of the Purchase Agreement. Unless defined herein, capitalized terms have the meanings given them in the Purchase Agreement.

As to matters of fact, we are relying upon the representations and warranties of all parties contained in the Purchase Agreement and the Certificates of certain officers of the Company attached hereto ("Opinion Certificates") and upon certificates and statements of government officials, all without independent verification. In addition, we examined originals or copies of documents, corporate records and other writings that we consider relevant for the purposes of this opinion. In such examination, we assumed that the signatures on documents and instruments examined by us are authentic, that each is complete and what it purports to be, that all documents and instruments submitted to us as copies or facsimiles or electronically conform with the originals, and that the documents and instruments submitted to us have not been amended or modified since the date submitted.

In our examination of documents, we further assumed (i) that each person or entity entering into such documents (other than the Company in connection with the Purchase Agreement) had the power, legal competence and capacity to enter into and perform all of such party's obligations thereunder, (ii) the due authorization, execution and delivery by each party (other than the due authorization, execution and delivery of the Purchase Agreement by the Company), (iii) the enforceability and binding nature of the obligations of the parties to such documents (other than as to the enforceability against, and the binding nature upon, the Company of the Purchase Agreement), (iv) that there is no fact or circumstance relating to any party that might prevent the Purchaser from enforcing any of the rights provided for in the Purchase Agreement, (v) performance on or before the Closing by all parties of their obligations under the Purchase Agreement to be performed on or before the Closing and (vi) that no action has been taken or event occurred which amends, revokes, terminates or renders invalid any of the documents, records, consents or resolutions which we have reviewed since the date of the certificates we relied upon in rendering this opinion. We also assumed that there are no extrinsic agreements or understandings among the parties to the

Purchase Agreement that would modify or interpret the terms of the Purchase Agreement or the respective rights or obligations of the parties thereunder.

As used in this opinion, the expression "to our knowledge" or "known to us" with reference to matters of fact refers to the current actual knowledge of David Sunkin and Taylor Dasher, the attorneys within the firm with primary responsibility for the transactions covered by this opinion. Except to the extent expressly set forth herein we have not undertaken any independent investigation to determine the accuracy or completeness of such statement (including without limitation any examination of any documents in our files or otherwise made available to us by the Company), and no inference as to the accuracy or completeness of such statement should be drawn from our representation of the Company or our rendering the opinions set forth below.

Based upon and subject to the foregoing and the qualifications and limitations set forth below, and except as set forth in the Purchase Agreement or the Disclosure Schedule thereto, it is our opinion that:

(a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of California and has all corporate power and authority necessary to own its properties and to conduct its business as, to our knowledge, it is presently conducted.

(b) The Company has the requisite corporate power and authority to execute, deliver and perform its obligations under the Purchase Agreement.

(c) The Purchase Agreement has been duly authorized by all necessary corporate action on the part of the Company.

(d) The Purchase Agreement has been duly executed and delivered by the Company and constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

(e) The execution, delivery and performance of the Purchase Agreement by the Company will not result in (i) a violation of the Company's Amended and Restated Articles of Incorporation or Amended and Restated Bylaws or (ii) a material violation of the California General Corporation Law or any United States federal statute, rule or regulation that we have, in the exercise of customary professional diligence, recognized as applicable to the Company.

In addition, to our knowledge, there is no action, suit, proceeding or investigation pending or threatened against the Company (i) that questions the validity of the Purchase Agreement or the right of the Company to enter into the Purchase Agreement or (ii) which, if determined adversely, would be likely to result in a material adverse change in the financial condition or business of the Company. Please note that we have not conducted a docket search in any jurisdiction with respect to litigation that may be pending against the Company nor have we undertaken any other inquiry whatsoever.

In rendering the opinion set forth in paragraph (a) above as to the good standing of the Company in California, we relied exclusively on certificates of public officials.

With regard to the opinion set forth in paragraph (d) above regarding enforceability, we note that whenever an opinion herein states that an agreement is a "valid and binding obligation" of a party "enforceable in accordance with its terms," such statement shall mean that, subject to the qualifications and limitations set forth herein, (i) an effective contract has been formed under California law, (ii) the entire agreement is not invalid by reason of a specific statutory prohibition or the public policy of the State of California, (iii) contractual defenses to the entire agreement are not available and (iv) some remedy is available if a party to the agreement does not materially comply with its terms. This does not imply that any particular type of remedy is available.

Our opinion set forth in paragraph (d) is further qualified by, and subject to, and we render no opinion with respect to, the following:

1. The effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the relief of debtors or the rights and remedies of creditors generally, including without limitation the effect of statutory or other laws regarding fraudulent transfers, preferential transfers and distributions and equitable subordination;

2. Limitations imposed by general principles of equity upon the availability of equitable remedies for the enforcement of provisions of the Purchase Agreement, whether considered in a proceeding at law or in equity, and by the effect of judicial decisions holding that certain provisions are unenforceable when their enforcement would violate the implied covenant of good faith and fair dealing, or would be commercially unreasonable, or where their breach is not material;

3. The effect of Section 1670.5 of the California Civil Code or any other California law, United States federal or equitable principle which provides that a court may refuse to enforce, or may limit the application of, a contract or any clause thereof which the court finds to have been unconscionable at the time it was made or contrary to public policy;

4. The enforceability of provisions of the Purchase Agreement expressly, or by implication, waiving or relinquishing broadly or vaguely stated rights or unknown future rights or defenses, or waiving defenses to obligations or rights granted by law (whether substantive or procedural) or waiving rights to damages, or the benefits of statutory, regulatory or constitutional rights, unless and to the extent the statute, regulation or constitution explicitly permits the waiver of such rights;

5. The enforceability of any provision of the Purchase Agreement purporting to (a) waive rights to trial by jury, service of process or objections to venue or jurisdiction in connection with any litigation arising out of or pertaining to the Purchase Agreement, (b) exclude conflict of law principles under California law, (c) establish particular courts as the forum for the adjudication of any controversy relating to the Purchase Agreement, (d) establish the laws of any particular state or jurisdiction for the adjudication of any

controversy relating to the Purchase Agreement, (e) establish evidentiary standards or make determinations conclusive or (f) provide for arbitration of disputes;

6. The effect of judicial decisions which may permit the introduction of extrinsic evidence to modify the terms or the interpretation of the Purchase Agreement;

7. The enforceability of any provisions of the Purchase Agreement providing that (a) rights or remedies are or are not exclusive, (b) rights or remedies may be exercised without notice, (c) every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, (d) the election of a particular remedy or remedies does not preclude recourse to one or more other remedies, (e) liquidated damages are to be paid upon the breach of the Purchase Agreement or (f) the failure to exercise, or any delay in exercising, rights or remedies available under the Purchase Agreement will not operate as a waiver of any such right or remedy;

8. The enforceability of any attorneys' fees, severability, reimbursement, indemnification or contribution provisions;

9. Any provision of the Purchase Agreement requiring written amendments or waivers insofar as it suggests that oral or other modifications, amendments or waivers could not be effectively agreed upon by the parties or that the doctrine of promissory estoppel might not apply. We note that a requirement that provisions of the Purchase Agreement may only be amended or waived in writing may not be binding or enforceable if an oral agreement has been created modifying such provision or an implied agreement by trade practice or course of conduct has given rise to an amendment or waiver; and

10. The validity, binding effect or enforceability of the Purchase Agreement to the extent that an arbitrator's decision may be contrary to the law or the facts and not subject to reversal.

In rendering the opinion set forth in paragraph (e) above relating to violations of United States federal, or California laws, rules or regulations applicable to the Company, we have not conducted any investigation into the types of businesses and activities in which the Company engages or the manner in which the Company conducts its businesses. We have not conducted any special investigation of laws, statutes, rules or regulations, and our investigation of and our opinion is limited to such laws, rules or regulations that in our experience are typically applicable to a transaction of the nature contemplated by the Purchase Agreement. We have assumed that no party to the Purchase Agreement will in the future take any discretionary action (including a decision not to act permitted by the Purchase Agreement) that would cause the performance of the Purchase Agreement to violate any California or federal statute, rule or regulation; constitute a violation or breach of or default under any of the terms of the Purchase Agreement or the Ancillary Agreements; or require an order, consent, permit or approval to be obtained from a California or federal government authority.

In addition to the foregoing, the opinions expressed above are subject to the following limitations, exceptions, qualifications and assumptions:

1. We express no opinion as to compliance with any federal or state antitrust statutes, rules or regulations, including without limitation the Hart-Scott-Rodino Antitrust Improvements Act of 1976.
2. We assumed (a) the accuracy and completeness of the representations and warranties of the Purchaser set forth in the Purchase Agreement and (b) the validity of any wire transfers, drafts or checks tendered by the Purchaser.
3. We express no opinion as to compliance with applicable antifraud statutes, rules or regulations of applicable state and federal laws concerning the issuance or sale of securities, including without limitation the accuracy and completeness of the information provided by the Company to the Purchaser.
4. We express no opinion as to whether the members of the Company's Board of Directors have complied with their fiduciary duties in connection with the authorization and performance of the Purchase Agreement.
5. We assumed that the actions of the Company and its officers, directors and shareholders comply with the provisions of Section 310 of the California General Corporation Law.
6. We express no opinion as to matters governed by any laws other than the laws of the State of California or the federal law of the United States of America. We express no opinion as to the laws of any other jurisdiction nor as to the statutes, administrative decisions, rules, regulations or requirements of any county, municipality, subdivision or local authority of any jurisdiction. We express no opinion as to whether the laws of any jurisdiction are applicable to the Purchase Agreement or the transactions contemplated thereby.
7. We express no opinion as to matters governed by federal and state laws and regulations governing: usury; securities; broker-dealers, investment companies and investment advisers; insurance; labor, employment (including, but not limited to, the Americans with Disabilities Act) and pension and employee benefits; antitrust and unfair competition, including covenants not to compete; escheat; health and safety, environmental protection and hazardous substances; taxation; or patents, copyrights, trademarks, trade names and other intellectual property rights.

This opinion is qualified to the extent, and is rendered and delivered on the express condition and assumption, that no counsel for the addressee has expressed or reached opinions which are contrary to the opinions set forth herein.

This opinion is rendered as of the date first written above solely for your benefit in connection with the Purchase Agreement and may not be relied on by, nor may copies be delivered to, any other person without our prior written consent. Our opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company. We assume no obligation to inform you of any facts, circumstances, events or changes in the law that may hereafter be brought to our attention that may alter, affect or modify the opinions expressed herein.

Respectfully submitted,

EXHIBIT D(1)

FORM OF BUYER'S U.S. COUNSEL'S LEGAL OPINION

Ladies and Gentlemen:

We have acted as counsel to Pyng Medical Corp. (the "*Buyer*") in connection with the acquisition of certain assets of Bio Cybernetics International (the "*Company*") pursuant to a Asset Agreement between the Company and the Buyer (the "*Agreement*") dated as of May 30, 2008. This opinion is being delivered pursuant to you to under Section 7.2(e) of the Agreement. All capitalized terms used herein and not defined herein have the meanings assigned to them in the Agreement.

We have examined such documents and have reviewed such questions of law as we have considered necessary and appropriate for the purposes of our opinions set forth below.

In rendering our opinion set forth below, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures and the conformity to authentic originals of all documents submitted to us as copies. We have also assumed, with respect to both the Company and the Buyer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, that such agreements or instruments have been duly authorized by all requisite action (corporate or otherwise), and executed and delivered by such parties. As to the Company, we have assumed that such agreements or instruments are the valid, binding and enforceable obligations of the Company. We have also assumed that all relevant California law discussed in this letter or considered by us in rendering this opinion is identical to Washington law ("*State Law*").

Based on the foregoing, we are of the opinion that the Agreement constitutes the valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms.

Our opinion set forth above is further qualified by, and subject to, and we render no opinion with respect to, the following:

1. The effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the relief of debtors or the rights and remedies of creditors generally, including without limitation the effect of statutory or other laws regarding fraudulent transfers, preferential transfers and distributions and equitable subordination;

2. Limitations imposed by general principles of equity upon the availability of equitable remedies for the enforcement of provisions of the Agreement, whether considered in a proceeding at law or in equity, and by the effect of judicial decisions holding that certain provisions are unenforceable when their enforcement would violate the implied covenant of good faith and fair dealing, or would be commercially unreasonable, or where their breach is not material;

3. The effect of any State Law, United States federal or equitable principle which provides that a court may refuse to enforce, or may limit the application of, a contract or any clause thereof which the court finds to have been unconscionable at the time it was made or contrary to public policy; and

4. The effect of judicial decisions which may permit the introduction of extrinsic evidence to modify the terms or the interpretation of the Agreement.

This opinion is rendered as of the date first written above solely for your benefit and may not be relied on by, nor may copies be delivered to, any other person without our prior written consent. Our opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company. We assume no obligation to inform you of any facts, circumstances, events or changes in the law that may hereafter be brought to our attention that may alter, affect or modify the opinions expressed herein.

Very truly yours,

EXHIBIT D(2)

FORM OF BUYER'S CANADIAN COUNSEL'S LEGAL OPINION

Web site: www.langmichener.com

◆, 2008

Bio Cybernetics International
1815 Wright Avenue
La Verne, California USA 91750

Attention: Matthew Waidelich, President

Dear Sirs/Mesdames:

Asset Purchase Agreement dated as of May 30, 2008 between Pyng Medical Corp. and Bio Cybernetics International

We have acted as counsel to Pyng Medical Corp. (the "Company") in connection with the asset purchase agreement dated as of May 30, 2008 (the "Asset Purchase Agreement") between the Company and Bio Cybernetics International.

We are delivering this opinion to you pursuant to section 7.2(e) of the Asset Purchase Agreement. Unless otherwise defined herein, all capitalized terms used but not defined herein have the meanings ascribed to them in the Asset Purchase Agreement.

We have considered such questions of law and examined such statutes and regulations, corporate records, certificates and other documents and have made such other examinations, searches and investigations as we have considered necessary for the purpose of the opinion hereinafter expressed.

The opinions expressed herein are subject to the following exceptions, qualifications and assumptions:

- (a) we have assumed, with respect to all of the documents examined by us, the genuineness of all signatures, the legal capacity at all relevant times of any individual signing any of such documents, the authenticity and completeness of all documents submitted to us as originals, the conformity to authentic originals of all documents submitted to us as a certified or true copy or as a reproduction (including facsimiles) and the truthfulness and accuracy of the corporate records of

the Company and of all certificates of public officials and officers of the Company, and we are not aware of any reason why the addressees of this opinion would not be entitled to rely on any of the certificates upon which we are relying in rendering this opinion;

(b) we have assumed that all agreements and other documents referred to herein have been duly authorized, executed and delivered by all parties thereto (other than the Company) and constitute legal, valid and binding obligations of, and are enforceable in accordance with their respective terms against, all parties thereto;

(c) we have assumed that each party (other than the Company) to the Asset Purchase Agreement has satisfied all legal requirements that are applicable to it to the extent necessary to make the Asset Purchase Agreement enforceable against such party;

(d) for the purpose of the opinion expressed in paragraph 1 as to good standing, we have relied exclusively and without independent investigation upon a Certificate of Good Standing dated June 2, 2008, electronically retrieved from the official records of the Corporate Registry maintained by the Registrar of Companies under the *Business Corporations Act* (British Columbia) in respect of the Company;

(e) with respect to any certificates of the officers of the Company or various public officials:

(i) we have assumed as to matters of fact that any such certificates and all information contained therein was complete and accurate at the time of execution and, if issued prior to the date hereof, remains so at the date hereof, all without independent verification;

(ii) we have assumed that the signatories thereto (other than officers of the Company) have been duly appointed to the position indicated and have the requisite legal power and authority and capacity and knowledge to certify the information contained therein; and

(iii) to the extent any such certificates, and any other certificate or document referenced therein, are based on any assumption, given in reliance on another certificate, document, understanding or other matter, or are made subject to any limitation, qualification or exception, our opinion is also based on such assumption, given in reliance on such other certificate, document, understanding or other matter, and made subject to such limitation, qualification or exception.

Whenever our opinion is qualified by the phrase "to our knowledge" or other words or phrases of similar import or meaning, it indicates that in the course of our representation of the Company, no information has come to our attention which would give us actual knowledge that such facts or circumstances exist. No inference as to our knowledge of the

existence or absence of such facts or circumstances should be drawn merely from our representation of the Company.

We are solicitors qualified to practice law in the Province of British Columbia. We express no opinion as to any laws or matters governed by any laws other than the laws of the Province of British Columbia and the federal laws of Canada applicable therein, as in force at the date hereof. We have assumed that there is no foreign law (as to which we have made no independent investigation) that would affect our opinions herein.

Based upon and subject to the foregoing, and subject to the qualifications hereinafter expressed, we are of the opinion that:

1. The Company has been duly amalgamated under the laws of the Province of British Columbia, is a valid and existing company and is in good standing under the laws of the Province of British Columbia.
2. The Company has all corporate power and authority necessary to own its properties and to conduct its business as, to our knowledge, it is presently conducted.
3. The Company has the requisite corporate power and authority to enter into, deliver and perform its obligations under the Asset Purchase Agreement.
4. The execution, delivery and performance by the Company of the Asset Purchase Agreement has been duly authorized by the necessary corporate action of the Company.
5. The Asset Purchase Agreement has been duly executed and delivered by the Company.
6. The execution, delivery and performance of the Asset Purchase Agreement by the Company does not:
 - (a) violate any provision of its Notice of Articles or Articles; or
 - (b) materially violate the *Business Corporations Act* (British Columbia) or any federal or provincial statute or regulation in force in the Province of British Columbia which we have, in the exercise of customary professional diligence, recognized as applicable to the Company.

This opinion is being furnished for the sole benefit of the addressees hereof and may not be relied upon or distributed to any other person or entity or for any other purpose without our prior written consent. This opinion is given as of the date hereof and we disclaim any obligation or undertaking to advise you of any change in law or fact affecting or bearing upon this opinion occurring after the date hereof which may come or be brought to our attention.

Yours truly,