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A Professional Limited Liability Company

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Philip R. Adams, Jr.

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T.R. DOCKET ROOM

July 21, 2010

VIA OVERNIGHT DELIVERY

Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

DOCKET NO.

10-00150

Re: Application by Tri-M Communications, Inc. d/b/a TMC
Communications and 5LINX Enterprises, Inc. for approval of a
Stock Purchase Agreement

Dear Sir or Madam

On behalf of Tri-M Communications, Inc. d/b/a TMC Communications and 5LINX Enterprises, Inc., enclosed please find an original and thirteen (13) copies of the referenced Application. Also enclosed is the requisite \$50.00 filing fee.

Please date stamp and return the enclosed extra copy of this letter in the envelope provided.

Please call me should you have any questions concerning this filing. Thank you for your assistance with this matter.

Sincerely,

Leon Nowalsky

Leon L. Nowalsky *lln*

LLN/rph

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

APPLICATION FOR CONSENT TO THE TRANSFER OF CONTROL OF TRI-M COMM.UNICATIONS, INC. D/B/A TMC COMMUNICATIONS	DOCKET NO. _____
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EXPEDITED ACTION REQUESTED

APPLICATION

Pursuant to the applicable Statutes of this State and the Commission's Rules and Regulations currently in effect and/or subsequently enacted, Tri-M Communications, Inc. d/b/a TMC Communications ("TMC"), Michelle Cutlip, an individual ("MC"), Michael E. Pfau, Trustee of the Melissa Marsch-Baker Trust U/D/T ("Trust") (Trust, together with MC, are hereinafter referred to as "Stockholders") and 5LINX Enterprises, Inc. ("5LINX"), by their attorneys, hereby respectfully request any necessary authority from this Commission for the transfer of control of the ownership of TMC from the Stockholders to 5LINX.. Grant of the requested authority will permit consummation of a transaction whereby 5LINX will acquire all of Stockholders stock in TMC, pursuant to a Stock Purchase Agreement between the parties, a copy of which is attached hereto as Exhibit "A".

This filing is not an application for transfer of operating authority and does not involve any transfer of customers. Instead, the Application seeks consent to the change in ultimate control of TMC by virtue of a stock transaction. TMC will continue to provide

competitive telecommunications services to its existing customers in this State using substantially the same technical and managerial personnel following consummation of the proposed transaction.

In support of this Application, Stockholders and 5LINX provide the following information:

I. THE APPLICANTS

A. Tri-M Communications, Inc. d/b/a TMC Communications ("TMC"):

TMC is a California corporation headquartered at 820 State Street, 5th Floor, Santa Barbara, California 93101. TMC is authorized to provide long distance, local, voice over IP and data telecommunications services in 48 states.^{1/} TMC is a certificated provider of resold long distance services in this State.^{2/}

B. The Stockholders

1. Michelle Cutlip, an individual ("MC" or "Stockholder"):

MC is an individual whose mailing address is 14 Stafford Road, Chatham, New Jersey 07928. MC has no certificates of authority.

2. Michael E. Pfau, Trustee of the Melissa Marsch-Baker Trust U/D/T ("Trust" or "Stockholder").

Trust a juridical person whose business address is 1421 State Street, Suite B., Santa Barbara, California 93101. Trust has no certificates of authority.

1 TMC provides long distance services in 48 states and local services in 5 states.

2 TMC received its authority to provide long distance telecommunications services in this State pursuant to Docket No. 09-00091, dated 8/27/2009.

3. **5LINX Enterprises, Inc. ("5LINX")** 5LINX is a Delaware corporation headquartered at 275 Kenneth Drive, Suite 100, Rochester, New York 14623. 5LINX has no certificates of authority.^{3/}

II. DESIGNATED CONTACTS

The designated contact for questions concerning this Application is:

Leon Nowalsky, Esq.
Nowalsky, Bronston & Gothard
1420 Veterans Blvd.
Metairie, Louisiana 70005
Telephone: (504) 832-1984
Facsimile: (504) 831-0892
lnowalsky@nbglaw.com

with copies to:

Michael E. Pfau, Secretary
Tri-M Communications, Inc.
d/b/a TMC Communications
820 State Street, 5th Floor
Santa Barbara, CA 93101

III. DESCRIPTION OF THE TRANSACTION

Grant of the requested authority will permit consummation of a transaction whereby 5LINX will acquire 100% of the stock in TMC .Each customer of TMC will continue to be serviced by TMC pursuant to TMC's current certification and operating authority.

³ 5LINX, through its wholly-owned subsidiary, GLOBALINX, provides VOIP services throughout the country.

The proposed transfer will be seamless to TMC's customers. TMC's name, rates and service offerings, as reflected in its tariff, will not immediately change as a result of the proposed transaction.^{4/} There will be no interruption of service. The physical assets, property, and personnel of TMC will remain substantially the same after the transfer. The customer service numbers for billing and service problems, liaison with Commission staff and tariffed rates will remain the same.

The only effect of the proposed transaction will be the change in the ownership and control of TMC. Simplified charts showing the current ownership structure and the new ownership structure are attached hereto as Exhibits "B" and "C", respectively.

IV. PUBLIC INTEREST ANALYSIS

Grant of the instant application will serve the public interest, convenience, and necessity. Consummation of the proposed transaction will result in net benefits to TMC's customers by strengthening the overall financial status of TMC. The transaction will enhance TMC's ability to offer a broader range of innovative products and services to customers. The Commission's ability and authority to regulate TMC and to ensure that it satisfies all obligations, commitments and regulatory requirements established by the laws of this State and the Commission will remain unchanged. Thus, there is no potential harm to any public interest issues raised by the proposed transaction and there will be clear benefits to the public upon approval and closing of this transaction.

⁴ In the future, TMC contemplates changing its name to GLOBALINX. Prior to making any such change, a separate filing shall be made with this Commission.

V. EXPEDITED REVIEW

Applicants request expedited review and disposition of the instant Application in order to ensure that the transaction is transparent to the affected customers with no interruption in service.

VI. NO TRANSFER OF CERTIFICATES

Applicants do not request transfer of TMC's Certificate of Public Convenience and Necessity, or other operating authority.

VII. CONCLUSION

WHEREFORE, TMC, Stockholders and 5LINX respectfully request that the Commission grant any necessary authority for transfer of ownership of the stock of TMC from Stockholders to 5LINX.

DATED this 21st day of July, 2010.

Respectfully submitted,



Leon Nowalsky, Esq. *fn*
Nowalsky, Bronston & Gothard
A Professional Limited Liability Company
1420 Veterans Blvd.
Metairie, Louisiana 70005
Telephone: (504) 832-1984
Facsimile: (504) 831-0892
lnowalsky@nbglaw.com
Counsel for Tri-M Communications, Inc. d/b/a
TMC Communications, Stockholders and 5LINX
Enterprises, Inc.

STATE OF CALIFORNIA
COUNTY OF SANTA BARBARA

VERIFICATION

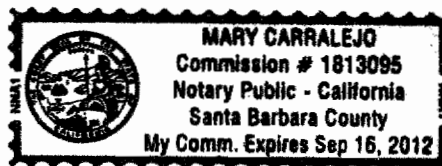
I, Michael Pfau, am the Secretary of Tri-M Communications, Inc. d/b/a TMC Communications, and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: Michael E. Pfau
Name: Michael Pfau
Title: Secretary

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 13th day of July, 2010.

Mary Carralejo
Notary Public

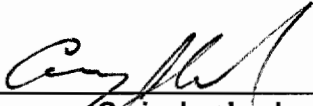
My commission expires: 9/16/2012



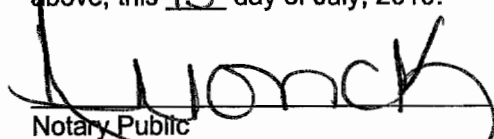
STATE OF Ny
COUNTY OF Monroe

VERIFICATION

I, Craig Jerabeck, am the President and CEO of 5LINX Enterprises, Inc., and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: 
Name: Craig Jerabeck
Title: President & CEO

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 13 day of July, 2010.


Notary Public

My commission expires: 10-30-2010

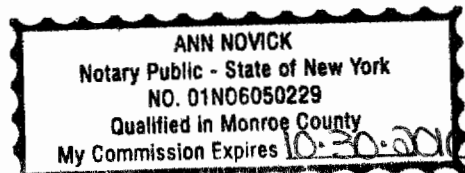


EXHIBIT A

Execution

STOCK PURCHASE AGREEMENT

by and among

TRI-M COMMUNICATIONS, INC. D/B/A/ TMC COMMUNICATIONS,

MICHELLE CUTLIP

and

MICHAEL E. PFAU, TRUSTEE OF THE MELISSA MARSCH-BAKER TRUST U/D/T
DATED JUNE 24, 1998

and

5LINX ENTERPRISES, INC.

Dated: JULY 6, 2010

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement"), dated July 6, 2010, is entered into by and among TRI-M COMMUNICATIONS, INC. d/b/a/ TMC COMMUNICATIONS, a corporation organized under the laws of the State of California with its principal office located at 820 State Street, 5th Floor, Santa Barbara, California 93101 (the "Company"), MICHELE CUTLIP, an individual with a mailing address of 14 Stafford Road, Chatham, New Jersey 07928 ("MC") and MICHAEL E. PFAU, TRUSTEE OF THE MELISSA MARSCH-BAKER TRUST U/D/T DATED JUNE 24, 1998, with a mailing address at 1421 State Street, Suite B, Santa Barbara California 93101 ("Trust," and together with MC, the "Stockholders"), and SLINX ENTERPRISES, INC., a Delaware corporation with its principal place of business located at 275 Kenneth Drive, Suite 100, Rochester, New York 14623 ("Purchaser"), and solely for purposes of Section 6.3 of this Agreement, MELISSA MARSCH-BAKER, an individual with an address at 72 Dale Drive, Summit, New Jersey 07901 ("MMB").

WHEREAS, the Company is engaged in the business of offering a full range of long distance, local, voice over IP, and data services to business customers across the United States; and

WHEREAS, the Stockholders own, in the aggregate, all of the issued and outstanding shares of capital stock of the Company; and

WHEREAS, Purchaser desires to purchase, and the Stockholders desire to sell, all of such shares of capital stock pursuant to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, as well as for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I DEFINITIONS

1.1. Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms, as used herein, have the following meanings when used herein with initial capital letters:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person on or after the date of this Agreement. For the purposes of this Agreement, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to (a) vote more than 50% of the securities having ordinary voting power for the election of directors (or individuals holding comparable positions) of such Person, or (b) direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

“Balance Sheet Date” means December 31, 2009.

“Benefit Plans” has the meaning ascribed to such term in Section 4.1.22(a).

“Business” means the business of the Company as currently conducted as of the date hereof and on the Closing Date.

“Business Day” means any day other than a Saturday, Sunday or a legal holiday in the United States.

“Capital Stock” means all of the issued and outstanding shares of capital stock of the Company.

“CERCLA” means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. §§9401, et seq., as amended.

“Closing” and “Closing Date” have the meanings ascribed to such terms in Section 3.1.

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

“Confidential Information” shall mean all client, supplier and customer information and lists; business plans; product designs, components and materials; processes, systems and methods; data, engineering or technical plans; drawings, information, inventions, formulas and technology; and anything else that might be construed as proprietary or confidential in nature, all of which are of value to the Company or the Business.

“Constituent of Concern” means any substance defined as a hazardous substance, hazardous waste, hazardous material, pollutant or contaminant by any Environmental Law, any petroleum hydrocarbon and any degradation product of a petroleum hydrocarbon, asbestos, PCB or similar substance, the handling, storage, treatment or exposure of or to which is subject to regulation under any Environmental Law.

“Contracts” has the meaning ascribed to such term in Section 4.1.12.

“Damages” has the meaning ascribed to such term in Section 9.2(a).

“Direct Claim” has the meaning ascribed to such term in Section 9.4(c).

“Environmental Claims” means administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, citations, summonses, notices of non-compliance or violation, requests for information, investigations or proceedings relating in any way to any Environmental Law or any permit issued under any such Law, including (a) Environmental Claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) Environmental Claims by any third-Person seeking damages, contribution, indemnification, cost recovery,

compensation or injunctive relief resulting from Constituents of Concern or arising from alleged injury or threat of injury to human health and safety or the environment.

“Environmental Condition” means a condition with respect to the environment which has resulted or could reasonably be expected to result in a material loss, liability, cost or expense to the Company or the owner of any Real Property under Environmental Law.

“Environmental Law” means any Law in effect as of the Closing Date, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, human health and safety, including CERCLA, the environmental laws of the State of California and any other jurisdiction in which the Company has or ever had a physical location, and any other state and local counterparts or equivalents to all of the foregoing.

“Environmental Permits” means all permits, licenses, authorizations, certificates and approvals of Governmental Authorities relating to or required by Environmental Laws and necessary for the Business of the Company as currently conducted or conducted as of the Closing.

“ERISA” has the meaning ascribed to such term in Section 4.1.22(a).

“ERISA Affiliate” means any entity that, together with the Company, would be considered a single employer within the meaning of Section 4001 of ERISA or Section 414 of the Code.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Financial Statements” means the audited balance sheets of the Company as of December 31, 2009, December 31, 2008, and December 31, 2007, respectively, together with the related statements of income, changes in retained earnings and cash flows for the periods then ended, and including the notes to such Financial Statements.

“GAAP” means United States generally accepted accounting principles, consistently applied.

“Governmental Authority” means any domestic or foreign governmental or regulatory authority, body, agency or official, whether federal, state or local.

“Indebtedness” means, with respect to any Person, at any date, without duplication, (a) all obligations of such Person for borrowed money, including, without limitation, all principal, interest, premiums, fees, expenses, overdrafts and penalties with respect thereto, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price for any property or services, except trade payables incurred in the Ordinary Course of Business of such Person that are not more than thirty (30) days past due, (d) all obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, to the extent that there has been a draw upon such letter of credit or similar instrument, (e) all

capitalized lease obligations of such Person, (f) all other obligations of a Person which would be required to be shown as indebtedness on a balance sheet of such Person prepared in accordance with GAAP, and (g) all indebtedness of any other Person of the type referred to in clauses (a) to (f) above which is directly or indirectly guaranteed by such Person or secured by any assets of such Person.

"Indemnified Party" and "Indemnifying Party" have the meanings ascribed to such terms in Section 9.4(a).

"Intellectual Property Right" means any trademark, service mark, trade name, invention, patent, trade secret, design, copyright, know-how, proprietary computer software, computer databases, computer source code and object code, Internet addresses (including any registrations or applications for registration or renewal of any of the foregoing) or any other similar type of proprietary intellectual property right, whether or not registered, created or used by or on behalf of the Company, in each case which is used or held for use or otherwise necessary in connection with the conduct of the Business.

"IRS" means the Internal Revenue Service.

"Knowledge of the Company," "Company's Knowledge," and other similar phrases shall mean the current actual knowledge of Ron Ireland, Sarah Linares, Melissa Marsch-Baker, Michael Pfau, Fred Krupica, and the other executive officers and directors of the Company, and any knowledge such individuals should have had after due inquiry as is reasonable under the circumstances.

"Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, permit, license, policy or rule of common law.

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset. For the purposes of this Agreement, a Person will be deemed to own, subject to a Lien, any property or asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

"Material Adverse Effect" means a material adverse effect on the business, assets, liabilities, condition (financial and otherwise), or results of operations of the Company, taken as a whole, including without limitation the termination by, or receipt of notice of intent to terminate from, one or more independent sales agents of their agency relationship with the Company which sales agent or agents sales account for more than five percent (5%) of the Company's annual revenue, in the aggregate.

"Monthly Financial Statements" means (i) the unaudited monthly balance sheets of the Company covering the period beginning January 1, 2010, through the month ending immediately prior to the date hereof, together with the related monthly statements of earnings, and (ii) the unaudited monthly balance sheets of the Company covering the period beginning with the month in which this Agreement is executed and delivered through the Closing Date, together with the related monthly statements of earnings.

“Order” means any judgment, injunction, judicial or administrative order or decree.

“Ordinary Course of Business” means, with respect to any Person, the ordinary course of business of such Person, consistent in all material respects with such Person’s past practice and custom.

“Party” means the Company, the Stockholders, and Purchaser, each in its respective capacity as a Party to this Agreement.

“Permits” has the meaning ascribed to such term in Section 4.1.15(b).

“Permitted Lien” means, with respect to the property of any Person, (a) mechanics’, workmen’s, carriers’, repairmen’s or other similar Liens arising or incurred in the Ordinary Course of Business of a Person in respect of obligations that are not overdue, or (b) other imperfections of title or encumbrances which do not materially affect the value or marketability of the property subject thereto.

“Person” means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Post-Closing Tax Period” means any Tax period (or portion thereof) ending after the Closing Date.

“Pre-Closing Tax Period” means any Tax period (or portion thereof) ending on or before the Closing Date.

“Real Property” has the meaning ascribed to such term in Section 4.1.16(a).

“Returns” has the meaning ascribed to such term in Section 4.1.10(a)(i).

“Securities Act” means the Securities Act of 1933, as amended, or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

“Selected Company and Stockholder Representations and Warranties” means the representations and warranties contained in Sections 4.1.1 (Corporate Existence and Power), 4.1.2 (Corporate Authorization; Enforceability), 4.1.20 (Title to Assets), 4.1.26 (Finders’ Fees), 4.1.30 (Ownership of Capital Stock), 4.2.1 (Authority; Enforceability), and 4.2.5 (Title to Capital Stock).

“Tax” means (a) any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, license, withholding on amounts paid to or by the Company, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental, windfall profit, or fuel tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest, penalty, addition to tax or additional amount imposed by any Taxing Authority, (b) any liability of the Company for the payment of any amounts of any of the

foregoing types as a result of being a member of an affiliated, consolidated, combined or unitary group, or being a party to any agreement or arrangement whereby the liability of the Company for payment of such amounts was determined or taken into account with reference to the liability of any other Person, and (c) any liability of the Company for the payment of any amounts as a result of being a party to any existing Tax-sharing agreements or arrangements (whether or not written) binding the Company, or with respect to the payment of any amounts of any of the foregoing types as a result of any express or implied obligation to indemnify any other Person.

"Taxing Authority" means any Governmental Authority responsible for the imposition of any Tax.

"Termination Date" means October 31, 2010; *provided, however*, that in the event Purchaser is working in good faith and has made substantial progress toward closing the transactions contemplated hereunder, the October 31, 2010 date shall be extended until November 30, 2010.

"Third-Party Claim" means any claim, demand, action, suit or proceeding made or brought by any Person who or which is not a Party to this Agreement.

ARTICLE II PURCHASE AND SALE; PURCHASE PRICE

2.1. Purchase and Sale of Common Stock. On the Closing Date, the Stockholders shall sell to Purchaser, and Purchaser shall purchase from the Stockholders, all of each Stockholder's right, title and interest in and to the Capital Stock, free and clear of any and all Liens, security interests or other encumbrances whatsoever. Subject to the adjustment provisions set forth in Section 2.2 and Section 2.3, the purchase price for the Capital Stock (the "Purchase Price") shall be an amount equal to [REDACTED], all of which shall be paid to the Stockholders in accordance with the following:

(a) On the Closing Date, Purchaser shall place in escrow with The Bank of Castile, as escrow agent (the "Escrow Agent"), an amount equal to [REDACTED] in immediately available funds (the "Escrowed Amount"), to secure the indemnification obligations of the Company and the Stockholders under Article IX of this Agreement (the "Purchase Price Escrow"). The Escrow Agent shall hold and release such amounts in accordance with the terms and conditions of the Escrow Agreement in substantially the form attached hereto as Exhibit A (the "Escrow Agreement"), which shall be executed on the Closing Date. The Escrow Funds shall be released in accordance with the following:

(i) on the date which is twelve (12) months from and after the Closing Date an amount equal to [REDACTED] less (A) all amounts previously paid to the Purchaser in satisfaction of claims for indemnification under Article IX hereof, and (B) the amount of all pending and unpaid claims by Purchaser for indemnification under Article IX hereof shall be delivered to the Stockholders *pro rata* according to their respective interests in the Capital Stock as set forth in Schedule 4.1.5 of the Company Disclosure Schedule; and

(ii) on the date which is fifteen (15) months from and after the Closing Date all amounts remaining in the Escrow Account less the amount of all pending and unpaid

claims by Purchaser for indemnification under Article IX hereof shall be delivered to the Stockholders *pro rata* according to their respective interests in the Capital Stock as set forth in Schedule 4.1.5 of the Company Disclosure Schedule.

(b) On the Closing Date, Purchaser shall pay the remainder of the Purchase Price to the Stockholders by the wire transfer of immediately available funds to bank accounts designated by the Stockholders. All such amounts shall be allocated to the Stockholders *pro rata* according to their respective interests in the Capital Stock as set forth in Schedule 4.1.5 of the Company Disclosure Schedule.

2.2. Adjustments to Purchase Price.

(a) At least three Business Days before the Closing, the Company shall prepare and deliver to Purchaser a statement setting forth its good faith estimate of the "net working capital" of the Company as of the Closing Date (the "Estimated Closing Working Capital"), which statement shall contain an estimated balance sheet of the Company as of the Closing Date (without giving effect to the transactions contemplated herein), and a calculation of the Estimated Closing Working Capital (the "Estimated Closing Working Capital Statement"). The Purchase Price shall be (i) increased by the amount by which the Estimated Closing Working Capital exceeds [REDACTED] (the "Net Working Capital Threshold") or (ii) decreased by the amount by which the Estimated Closing Working Capital is less than the Net Working Capital Threshold. For purposes of this Agreement, "net working capital" means the excess of (x) the Company's current assets, over (y) the Company's current liabilities (including any and all accrued but unpaid compensation to employees and other agents of the Company, and accrued but unpaid bonus and unused vacation time), all determined in accordance with GAAP. For the avoidance of doubt, the Company's assets shall include the amount due from Purchaser under Section 6.23, below.

(b) Within sixty (60) days after the Closing, Purchaser will cause the Company to prepare and deliver to the Stockholder Representative a statement setting forth the "net working capital" of the Company as of the Closing Date (the "Closing Working Capital"), which statement shall contain a balance sheet of the Company as of the opening of business on the Closing Date (without giving effect to the transactions contemplated herein) and a calculation of the net working capital as of the opening of business on the Closing Date (the "Closing Working Capital Statement"). The Closing Working Capital Statement will reflect the financial position of the Company as of the Closing Date, and will be prepared in accordance with GAAP. The Stockholder Representative may object to such Closing Working Capital Statement only if, within twenty-one (21) days after the date of delivery of the Closing Working Capital Statement to the Stockholder Representative, such Stockholder Representative gives written notice thereof (i) setting forth the Stockholder Representative's proposed changes to the Closing Working Capital Statement, and (ii) specifying the basis for disagreement with the Closing Working Capital Statement. The failure by the Stockholder Representative to so express disagreement and provide such specification within such 21-day period will constitute the acceptance of the Closing Working Capital Statement and the computation of Closing Working Capital. If Purchaser and the Stockholder Representative are unable to resolve any disagreement between them with respect to the preparation of the Closing Working Capital Statement and the determination of the Closing Working Capital within thirty (30) days after the giving of notice

by the Stockholder Representative to Purchaser of such disagreement, the items in dispute will be referred for determination to a neutral accounting firm with a regional or State-wide practice in the region or State where the Company's principal offices are located and mutually acceptable to both parties or, in the absence of agreement, in accordance with the provisions below regarding the selection of an arbitrator. The determination of any arbitrator or mutually acceptable accounting firm, as the case may be, so selected shall be conclusive and binding upon the parties, and the fees and expense of such arbitrator, or mutually accepted accounting firm, as the case may be, under this Section shall be borne by the Party that the arbitrator or accounting firm, as the case may be, determines to be least correct (in net dollar terms) in its computation of the Closing Working Capital.

(c) In the event that the Stockholder Representative and Purchaser are unable to resolve the Closing Working Capital determination within said thirty (30) day period set forth above, and the parties are unable to select a nationally recognized mutually acceptable accounting firm to resolve the dispute, the dispute shall be resolved by binding arbitration administered by the American Arbitration Association ("AAA") under the Commercial Arbitration Rules then in effect. The Arbitration shall be conducted by a single arbitrator. The parties agree that for any individual to qualify as an arbitrator to hear this dispute, he or she must be a certified public accountant who has not performed accounting or auditing services for Purchaser or any of the Stockholders or any of their respective Affiliates. In considering potential arbitrators, the parties and the AAA shall give preference to individuals who are affiliated with an independent accounting firm of nationally recognized standing. The parties shall endeavor to reach mutual agreement on the identity of an arbitrator. If the parties are unable to do so within twenty (20) days after the expiration of the above-referenced 30-day period, the arbitrator will be selected pursuant to procedures set forth in the Commercial Arbitration Rules then in effect, consistent with the provisions in this paragraph regarding the required and preferred qualifications for an arbitrator. The arbitrator selected shall consider only matters relating to the items in the Closing Working Capital Statement that impact the calculation of the Closing Working Capital and his or her decision with respect to that issue shall be final and binding upon the Stockholders and the Purchaser. Each Party further agrees that the other Party shall not be liable for punitive or exemplary damages and the arbitrator shall have no authority to award the same. The arbitration shall take place in Santa Barbara, California, unless the parties mutually agree on another location.

(d) If it is finally determined that the Closing Working Capital (as determined in accordance with the provisions set forth above):

(i) Is less than the Net Working Capital Threshold, then the amount of the deficiency shall be paid by the Stockholders in cash or other readily available funds within seven (7) Business Days after receipt of written demand therefor. Any amounts that the Stockholders fail to pay to Purchaser within such period of seven (7) Business Days shall accrue interest from the end of such period of seven (7) Business Days until paid at a rate equal to eight percent (8%) per annum.

(ii) Exceeds the Net Working Capital Threshold, then Purchaser shall pay the difference to the Stockholders within seven (7) Business Days thereafter. Any amounts not paid to the Stockholders by Purchaser within such period of seven (7) Business Days shall

accrue interest from the end of such period of seven (7) Business Days until paid at a rate equal to eight percent (8%) per annum.

2.3. Stockholder Representative.

(a) Each Stockholder, for himself or herself and for his or her successors and assigns, hereby irrevocably makes, constitutes and appoints Michael Pfau to act for and on behalf of such Stockholder with respect to any claim or matter arising under this Agreement and the Escrow Agreement (the "Stockholder Representative"), and Michael Pfau hereby accepts such appointment. Each Stockholder acknowledges that the appointment of Michael Pfau as the Stockholder Representative is coupled with an interest and may not be revoked.

(b) In furtherance of the appointment of the Stockholder Representative, each Stockholder, fully and without restriction: (i) agrees to be bound by all notices given and received and agreements and determinations made by and documents executed and delivered by the Stockholder Representative under this Agreement and the Escrow Agreement; and (ii) authorizes the Stockholder Representative to (A) deliver to Purchaser all certificates and documents to be delivered to Purchaser by Stockholders pursuant to this Agreement and the Escrow Agreement, together with any certificates and documents executed by Stockholders and deposited with the Stockholder Representative for such purpose, (B) dispute or refrain from disputing any claim made by Purchaser under this Agreement or the Escrow Agreement, (C) negotiate and compromise any dispute which may arise under this Agreement or the Escrow Agreement, (D) pay any amounts due Purchaser from Stockholders under this Agreement or the Escrow Agreement, (E) exercise or refrain from exercising any remedies available to Stockholders under this Agreement or the Escrow Agreement, (F) sign any releases or other documents with respect to any such dispute or remedy, (G) waive any condition contained in the this Agreement or the Escrow Agreement, (H) give such notices and instructions and do or refrain from doing such other things as the Stockholder Representative, in his sole discretion, deems necessary or appropriate to carry out the provisions of this Agreement or the Escrow Agreement, (I) petition the Escrow Agent for the release of any or all funds due to Stockholders under the Escrow Agreement and, subject to the Stockholder Representative's other responsibilities under this subsection, pay to each Stockholder such Stockholder's pro rata share of such funds, (J) receive all amounts payable by Purchaser to Stockholders under this Agreement or the Escrow Agreement on behalf of Stockholders and, subject to the Stockholder Representative's other responsibilities under this subsection, pay to each Stockholder such Stockholder's *pro rata* share of such amounts, (K) pay out of funds coming into the hands of the Stockholder Representative from Purchaser or the Escrow Agent all fees and expenses of Stockholders (and of the Stockholder Representative acting in such capacity) incurred in connection with the transactions contemplated by the Transaction Documents, including without limitation the fees and expenses of counsel, accountants, investment bankers and other professional advisors retained by or on behalf of Stockholders in connection with such transactions, (L) retain such counsel, accountants and other professional advisors as the Stockholder Representative reasonably deems necessary to assist it in the performance of its duties hereunder and pay the fees, costs and expenses thereof out of the funds coming into the hands of the Stockholder Representative, and (M) retain out of funds coming into the hands of the Stockholder Representative from Purchaser or the Escrow Agent such amounts as the Stockholder Representative, in his sole discretion, deems appropriate to be held as reserves for

expected or potential future expenses or liabilities of Stockholders hereunder. Except for any obligations for which Stockholders are severally, but not jointly, liable, payments made by the Stockholder Representative under this subsection will be considered to be paid by all Stockholders in accordance with their respective pro rata shares. As used in this Agreement, a Stockholder's "*pro rata* share" means such Stockholder's percentage interest in the Common Stock as set forth in Schedule 4.1.5 of the Company Disclosure Schedule.

(c) If the Stockholder Representative resigns, dies or becomes incapacitated, his successor will be appointed within fifteen (15) days of such event by Stockholders owning a majority of the shares of the Company immediately prior to the Closing. The decisions and actions of any successor Stockholder Representative will be, for all purposes, those of the Stockholder Representative as if originally named herein. The death or incapacity of any Stockholder will not terminate the authority and agency of the Stockholder Representative. Any successor Stockholder Representative will provide Purchaser with prompt written notice of its or his appointment.

(d) Purchaser will be entitled to rely exclusively upon any communication given or other action taken by the Stockholder Representative and will not be liable to Stockholders or any other Person for any action taken or not taken in reliance upon the Stockholder Representative. Purchaser will not be obligated to inquire as to the authority of the Stockholder Representative with respect to the taking of any action that the Stockholder Representative takes on behalf of Stockholders.

(e) Stockholders will, severally and not jointly in accordance with their respective *pro rata* shares, indemnify the Stockholder Representative and hold him harmless against any and all loss, liability or expense incurred without gross negligence or bad faith on the part of the Stockholder Representative and arising out of or in connection with his duties as the Stockholder Representative.

2.4. Adjustment for Indebtedness. Notwithstanding any provision to the contrary set forth herein, the parties hereto hereby acknowledge and agree that the Purchase Price to be paid for the Capital Stock is premised upon the Stockholders paying all of the Company's Indebtedness related to (a) any and all Company bank debt, including all operating lines of credit, (b) all retention bonuses including retention bonuses and deferred compensation payments, including payments related to the termination of stock options, that become due by reason of the closing of the transactions contemplated herein, (c) all amounts payable to Blue Beacon Capital by reason of the closing of the transactions contemplated herein, (d) all taxes related to periods prior to the Closing Date, and (e) all "due on sale" bonuses payable to independent sales agents of the Company that become due by reason of the closing of the transactions contemplated herein. At the request of the Stockholders, Purchaser shall pay to the Company a portion of the Purchase Price sufficient to fund the discharge of such Indebtedness and the Company immediately shall pay such amounts directly to whom or which payable. If it is thereafter determined that any such Indebtedness remains unpaid, the Stockholders shall repay Purchaser an amount equal to all such unpaid Indebtedness in cash or other immediately available funds within seven (7) Business Days of the date on which the Stockholders receive written notice thereof, and the amount of such payment shall bear interest from the last day of such period of seven (7) Business Days until the date of payment at an annual rate equal to eight

percent (8%) per annum. For avoidance of doubt, if any of the foregoing payments are made by the Company prior to Closing and such payments are reflected in the calculation of the Closing Working Capital, then such amounts shall not be an adjustment to the Purchase Price.

ARTICLE III CLOSING AND CLOSING DELIVERIES

3.1. The Closing. The closing of the purchase and sale contemplated under this Agreement (the "Closing") shall take place at the offices of Harris Beach PLLC, 99 Garnsey Road, Pittsford, New York, at 10:00 a.m. local time not more than two (2) business days following the satisfaction of all of the conditions set forth in ARTICLE VIII, or at such other time or place, or on such other date upon which the parties shall mutually agree. The date upon which the Closing occurs is referred to herein as the "Closing Date."

3.2. Closing Deliveries.

(a) Deliveries by the Stockholders. In addition to any other conditions and obligations of the Stockholders hereunder, at the Closing, the Stockholders shall deliver to Purchaser stock certificates representing all of the issued and outstanding shares of the Common Stock, free and clear of any Liens, security interests or other encumbrances whatsoever, including the certificates properly enclosed for transfer to, or duly executed stock powers in favor of, Purchaser.

(b) Deliveries of Purchaser. In addition to any other conditions and obligations of Purchaser hereunder, at the Closing, Purchaser shall deliver to the Stockholders the Purchase Price in accordance with Section 2.1 above.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDERS

4.1. Representations and Warranties of the Company and the Stockholders. Except as otherwise set forth in the Company Disclosure Schedule attached hereto as Exhibit B (the "Company Disclosure Schedule"), the Company and the Stockholders, jointly and severally, represent and warrant to Purchaser as of the date hereof and as of the Closing, as follows:

4.1.1. Corporate Existence and Power. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of California. The Company has all corporate power and all governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted. The Company is duly qualified to conduct business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary except for those jurisdictions where the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. A complete list of all jurisdictions in which the Company is authorized to transact business as a foreign corporation is set forth in Schedule 4.1.1 of the Company Disclosure Schedule. The Company has heretofore delivered to Purchaser true and complete copies of its Articles of Incorporation and Bylaws, as amended to date.

4.1.2. Corporate Authorization; Enforceability. The execution, delivery and performance by the Company of this Agreement and each of the other agreements contemplated herein to which it will be a Party at the Closing are, and will be at the Closing, within the Company's corporate powers and have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been and each of the other agreements contemplated herein to which the Company will be a Party at the Closing will have been duly executed and delivered by the Company and constitute, and will constitute at the Closing, valid and binding agreements of the Company, enforceable against the Company in accordance with their terms, except to the extent that their enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

4.1.3. Governmental Authorization. Except as disclosed on Schedule 4.1.3 of the Company Disclosure Schedule, the execution, delivery and performance by the Company and the Stockholders of this Agreement and each other agreement contemplated herein to which the Company and/or the Stockholders are or will be a Party at the Closing will not, and the transactions contemplated hereby will not, require any action by or in respect of, or filing with, any Governmental Authority.

4.1.4. Non-Contravention; Consents. Except as disclosed on Schedule 4.1.4 of the Company Disclosure Schedule, neither the execution, delivery and performance by the Company and/or the Stockholders of this Agreement and each other agreement contemplated herein to which the Company and/or the Stockholders will be a Party at the Closing, nor the transactions contemplated hereby, will (i) violate the Articles of Incorporation or Bylaws, as amended to date, or comparable organizational documents, of the Company, (ii) violate any applicable Law or Order, (iii) require any filing with or permit, consent or approval of, or the giving of any notice to, any Person (including filings, consents or approvals required under any Permits of the Company or any licenses to which the Company is a Party), (iv) result in a violation or breach of, conflict with, constitute (with or without due notice or lapse of time or both) a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of the Company or give rise to a loss of any benefit to which the Company is entitled under any agreement or other instrument binding upon the Company or under any license, franchise, permit or other similar authorization held by the Company, or (v) result in the creation or imposition of any Lien on any asset of the Company.

4.1.5. Capitalization. The authorized capital stock of the Company consists of (i) 20,000,000 shares of "Series A Common Stock," no par value per share, of which 1,900,200 shares are issued and outstanding and all of which are owned by the Stockholders, and (ii) 1,500,000 shares of "Series B Common Stock," no par value per share, of which no such shares are issued and outstanding. All outstanding shares have been duly authorized and validly issued, are fully paid and non-assessable, and have been offered, issued, sold and delivered in compliance with applicable federal and state securities laws. Schedule 4.1.5 of the Company Disclosure Schedule sets forth a list of all Stockholders of the Company and the number of shares of capital stock of the Company owned by each Stockholder. Except as set forth on Schedule 4.1.5 of the Company Disclosure Schedule, there are no outstanding (i) options, warrants, agreements or other rights (preemptive, first refusal or otherwise) for the acquisition of shares of capital stock of the Company, (ii) securities or other obligations of the Company which

are convertible into such shares of capital stock of the Company, or (iii) options, sale agreements, shareholder agreements, pledges, proxies, voting trusts, powers of attorney, restrictions on transfer or other agreements or instruments which are binding on the Stockholders and which relate to the ownership, voting or transfer of any of the shares of capital stock of the Company.

4.1.6. Subsidiaries. Except as disclosed in Schedule 4.1.6 of the Company Disclosure Schedule, the Company does not own any capital stock or other equity or ownership or proprietary interest in any corporation, partnership, association, trust, joint venture or other entity.

4.1.7. Financial Statements.

(a) The Company has heretofore furnished Purchaser a complete and correct copy of the Financial Statements. The Financial Statements, including the footnotes thereto, have been prepared in accordance with GAAP and fairly present in all material respects the financial position of the Company at the respective dates thereof and the results of the operations and cash flows of the Company for the periods indicated.

(b) The Company has also heretofore furnished Purchaser a complete and correct copy of the Monthly Financial Statements through May 31, 2010. Such Monthly Financial Statements have each been prepared in accordance with GAAP (except for normal year-end adjustments and the absence of notes to such financial statements) on a basis consistent with the policies, principles and methodology used in connection with the preparation of the Financial Statements. Such Monthly Financial Statements fairly represent in all material respects the financial position of the Company at the date thereof and the results of the operations and cash flows of the Company for the periods indicated. The Monthly Financial Statements to be delivered after the date hereof, when delivered in accordance with this Agreement, will have been prepared in accordance with GAAP (except for normal year-end adjustments and the absence of notes to such financial statements) and will fairly represent in all material aspects the financial position of the Company at the dates thereof and the results of the operations and cash flows of the Company for the periods indicated.

(c) Except as set forth on Schedule 4.1.7(c) of the Company Disclosure Schedule, since the Balance Sheet Date, there have been no changes in the Company's reserve or accrual policies or amounts.

(d) The books of account, minute books, stock record books, and other records of the Company, copies of all of which have been forwarded to Purchaser, have been maintained in accordance with sound business practices and under an adequate system of internal controls. The minute books of the Company contain records which accurately reflect, in all material respects, all meetings held and corporate action taken by the Stockholders and the Board of Directors.

4.1.8. No Undisclosed Liabilities. There are no liabilities, whether accrued, contingent, absolute, determined, determinable or otherwise, of the Company other than (i) liabilities fully provided for in the Financial Statements, (ii) liabilities specifically disclosed

on Schedule 4.1.8 of the Company Disclosure Schedule, and (iii) other undisclosed liabilities incurred since May 31, 2010, in the Ordinary Course of Business which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

4.1.9. Accounts.

(a) Schedule 4.1.9(a) of the Company Disclosure Schedule contains a complete list of the names and locations of all banks, trust companies, savings and loan associations, brokerage firms, mutual funds and other financial institutions at which the Company maintains accounts of any nature, and each credit card issued in the Company's name, together with the account numbers for such accounts and the names of all persons authorized to access, draw thereon or make withdrawals therefrom.

(b) Schedule 4.1.9(b) of the Company Disclosure Schedule contains a complete list of all intercompany transactions and balances as of the date hereof, between the Stockholders and any Affiliates of a Stockholder, on the one hand, and the Company or any of its Affiliates, on the other hand. Other than (i) as disclosed on Schedule 4.1.9(b) of the Company Disclosure Schedule, and (ii) compensation, benefits and reimbursements of business expenses paid in the Ordinary Course of Business, since May 31, 2010, there has not been any (aa) accrual of liability by the Company for amounts owed to the Stockholders (or any of the Stockholders' Affiliates) or (bb) other transactions between the Company or any of its Affiliates, on the one hand, and any Stockholder or any Affiliates of said Stockholder, on the other hand, or any action taken (other than this Agreement) which could reasonably be expected to result in any such accrual, or the incurrence of any legal or financial obligation to any such Person by the Company.

4.1.10. Tax Matters.

(a) Except as disclosed in Schedule 4.1.10(a) of the Company Disclosure Schedule:

(i) All Tax returns, statements, reports and forms (including estimated tax or information returns and reports) required to be filed with any Taxing Authority with respect to any Pre-Closing Tax Period by or on behalf of the Company (collectively, the "Returns") have, to the extent required to be filed on or before the date hereof, been filed when due in accordance with all applicable Laws;

(ii) The Returns (other than estimated tax or information returns) correctly reflected the facts regarding the income, business, assets, operations, activities and status of the Company;

(iii) All Taxes owed by the Company (whether or not shown as due and payable on the Returns that have been filed) have been timely paid or withheld (including withholding for independent contractors, consultants and other employees), and remitted to the appropriate Taxing Authority;

(iv) Any reserves established for Taxes with respect to the Company for any Pre-Closing Tax Period (including for any Pre-Closing Tax Period for which no Return

has yet been filed) reflected on the books of the Company (excluding any provision for deferred income taxes) are adequate and sufficient for the payment of all Taxes due and owing in connection with the operation of the Business through and including the Closing Date;

(v) The Company is not delinquent in the payment of any Tax, nor has the Company requested any extension of time within which to file any Return, except for extensions granted either as a matter of right or in accordance with applicable Law;

(vi) Neither the Company nor any member of any affiliated, consolidated, combined or unitary group of which the Company is or has been a member has granted any extension or waiver of the statute of limitations period applicable to any Return, which period (after giving effect to such extension or waiver) has not yet expired;

(vii) There is no action, suit or proceeding, nor any claim, audit or investigation, now pending regarding any Tax or Return of which the Company is aware. To the Knowledge of the Company or any Stockholder, there is no action, suit, claim, audit or investigation threatened against or with respect to the Company in respect of any Tax;

(viii) There are no Liens for Taxes upon the assets of the Company, except Liens for current Taxes not yet due;

(ix) The Company has not been a member of an affiliated, consolidated, combined or unitary group or participated in any other arrangement whereby any income, revenues, receipts, gain or loss of the Company was determined or taken into account for Tax purposes with reference to or in conjunction with any income, revenues, receipts, gain, loss, asset or liability of any other Person;

(x) The Company has not made any payments, is not obligated to make any payments, and is not a party to any agreement that under any circumstances could obligate it to make payments, in each case that would not be deductible under Section 280G of the Code; and

(xi) The Company currently qualifies as an "S Corporation," as that term is defined in Section 1361 of the Code, and no facts or circumstances exist which could result in the Company's disqualification for "S Corporation" treatment by the IRS. The Company is the subject of a valid election for S Corporation status under Section 1362 of the Code and the Company has been a valid S Corporation since the tax year beginning July 1, 1997 (which was the first day of the Company's first fiscal year). There are no Taxes due and payable by any Stockholder or the Company on income earned by the Company during any Pre-Closing Tax Period.

(b) Schedule 4.1.10(b) of the Company Disclosure Schedule contains a list of all jurisdictions (whether foreign or domestic) to which any Tax imposed is properly payable by the Company.

4.1.11. Absence of Certain Changes. Since the Balance Sheet Date, except as set forth on Schedule 4.1.11 of the Company Disclosure Schedule:

(a) The Company has not entered into any transaction other than those in the Ordinary Course of Business;

(b) There have been no losses or damage to any of the assets of the Company due to fire or other casualty, whether or not insured, amounting to more than \$5,000 in the aggregate;

(c) Except in the Ordinary Course of Business, there has been no increase or decrease in the rates of compensation payable or to become payable by the Company to any employee, agent or consultant, or any bonus, percentage compensation, service award or other like benefit, granted, made or accrued to, or to the credit of, any such employee, agent or consultant, or any material welfare, pension, retirement or similar payment or arrangement made or agreed to be made by the Company;

(d) The Company has not executed, created, amended or terminated any Contract except in the Ordinary Course of Business;

(e) The Company has not declared or paid any dividend or made any distribution on its capital stock, or redeemed, purchased or otherwise acquired any of its capital stock;

(f) The Company has not received notice that there has been a cancellation of an order for its products or services in excess of \$5,000 or a loss of a customer of the Company;

(g) There has been no resignation or termination of employment of any officer or key employee of the Company, and to the Knowledge of the Company or to the knowledge of the Stockholders there is no impending resignation or termination of employment of any officer or key employee of the Company;

(h) There has been no change in the contingent obligations of the Company by way of guaranty, endorsement, indemnity, warranty or otherwise, other than product or service related guarantees, indemnitees and warranties entered into in the Ordinary Course of Business;

(i) There have been no loans made by the Company to its employees, officers or directors, other than travel advances and other advances made in the Ordinary Course of Business which do not exceed \$2,500 to any one person or in the aggregate;

(j) There has been no waiver or compromise by the Company of a material right or of a material debt owed to it in excess of \$2,500;

(k) The Company has not made or agreed to make any disbursements or payments of any kind to any member or members of its Board of Directors in their capacity as Board members;

(l) There have been no capital expenditures by the Company exceeding \$10,000 in the aggregate;

(m) There has been no change in accounting methods or practices (including without limitation, any change in depreciation or amortization policies or rates) by the Company;

(n) There has been no reevaluation by the Company of any of its assets, except as agreed to by the parties;

(o) There has been no sale or transfer of any of the assets of the Company, except in the Ordinary Course of Business;

(p) There has been no loan by the Company to any person or entity other than (aa) as described in clause (i) above, and (bb) sales of goods and services on credit terms in the Ordinary Course of Business consistent with past practices;

(q) There has been no commencement or written notice of a threat of commencement of any governmental proceeding against or investigation of the Company, and to the Company's Knowledge and the knowledge of the Stockholders, no other notice of a threat of commencement of any such proceeding or investigation against the Company;

(r) There has been no revocation of any license or right to do business granted to the Company;

(s) The Company has not paid any obligation or liability (fixed, contingent or otherwise) or discharged or satisfied any Lien, or settled any liability, claim, dispute, proceeding, suit or appeal pending or threatened against it, except in the Ordinary Course of Business; and

(t) There has been no agreement or commitment by the Company to do or perform any of the acts described in this Section 4.1.11.

4.1.12. Contracts.

(a) Except as specifically disclosed in Schedule 4.1.12(a) of the Company Disclosure Schedule, the Company is neither a party to nor bound by any of the following, whether written or oral (collectively, the "Contracts"):

(i) Any lease (whether of real or personal property);

(ii) Any agreement for the purchase of materials, supplies, goods, services, equipment or other assets that provides for annual payments by the Company of \$5,000 or more;

(iii) Any sales, distribution or other similar agreement providing for the sale by the Company of materials, supplies, goods, services, equipment or other assets that provides for annual payments to the Company of \$10,000 or more;

(iv) Any partnership, joint venture or other similar agreement or arrangement;

(v) Any agreement relating to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or otherwise);

(vi) Any agreement relating to Indebtedness (in any case, whether incurred, assumed, guaranteed or secured by any asset);

(vii) Any license, franchise or similar agreement;

(viii) Any agency, dealer, sales representative, marketing or other similar agreement;

(ix) Any agreement that substantially limits the freedom of the Company to compete in any line of business, geographic area or with any Person or which would so limit the freedom of the Company or Purchaser after the Closing Date;

(x) Any agreement with (aa) any Stockholder or said Stockholder's Affiliates, (bb) any Person directly or indirectly owning, controlling or holding, with power to vote, 10% or more of the outstanding voting securities of any Stockholder's Affiliates, (cc) any Person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by any Stockholder or said Stockholder's Affiliates, or (dd) any director or officer of the Company or with any "associate" or any member of the "immediate family" (as such terms are respectively defined in Rules 12b-2 and 14a-1 of the Exchange Act) of any such director or officer;

(xi) Any management service, consulting or any other similar type of contract;

(xii) Any warranty, guaranty or other similar undertaking with respect to a contractual performance extended by the Company;

(xiii) Any employment, deferred compensation, severance, bonus, retirement or other similar agreement or plan in effect as of the date hereof and entered into or adopted by the Company, on the one hand, and any director or officer of the Company or any other employee of the Company, on the other hand;

(xiv) Any interconnection agreement, line sharing agreement, line-splitting agreement or other contract between the Company and any incumbent local exchange carriers; or

(xv) Any other agreement, commitment, arrangement or plan not made in the Ordinary Course of Business of the Company that is material to the Company.

(b) Each agreement, contract, plan, lease, arrangement or commitment disclosed in Schedule 4.1.12(a) of the Company Disclosure Schedule or any other Schedule to this Agreement or required to be disclosed pursuant to this Section is a valid and binding agreement of the Company, and is in full force and effect, except to the extent that its enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable

principles, and neither the Company nor, to the Knowledge of the Company or the Stockholders, any other party thereto is in default or breach in any material respect under the terms of any such agreement, contract, plan, lease, arrangement or commitment. There is no event, occurrence, condition or act (including the consummation of the transactions contemplated hereby) which, with the giving of notice or the passage of time, or the happening of any other event or condition, could reasonably be expected to become a material default or event of default thereunder.

(c) Each interconnection agreement, line-sharing agreement, line-splitting agreement or other Contract between the Company and any incumbent local exchange carrier that is subject to Section 252 of the Communications Act of 1934, as amended, has been approved by the applicable State commission.

(d) Schedule 4.1.12(d) of the Company Disclosure Schedule sets forth every grant by the Company in the past four (4) years of any severance or termination pay to any employee, officer or director of the Company.

4.1.13. Insurance Coverage. The Company has furnished to Purchaser a list of, and has made available to Purchaser, true and complete copies of all of the insurance policies and fidelity bonds covering the assets, Business, operations, employees, officers and directors of the Company. There is no claim by the Company pending under any of such policies or bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds. All premiums due and payable under all such policies and bonds have been paid and the Company and the Stockholders have complied in all respects with the terms and conditions of all such policies and bonds. Such policies of insurance and bonds (or other policies and bonds providing substantially similar insurance coverage) are in full force and effect and are disclosed in Schedule 4.1.13 of the Company Disclosure Schedule. Neither the Company nor any of the Stockholders know of any threatened termination of, or premium increase with respect to, any of such policies or bonds. Since the last renewal date of any insurance policy, there has not been any material adverse change in the relationship of the Company with its insurers or the premiums payable pursuant to such policies.

4.1.14. Litigation. Except as disclosed in Schedule 4.1.14 of the Company Disclosure Schedule, there is no action, suit, investigation, arbitration or administrative or other proceeding pending or, to the Knowledge of the Company or any of the Stockholders, threatened, against or affecting the Company, any of the Stockholders, or any of their respective properties before any court or arbitrator or any Governmental Authority (i) which, if determined or resolved adversely to any of them, could reasonably be expected, individually or when considered together with all other such matters, (A) to materially and adversely affect the right or ability of the Company to carry on the Business as now conducted, or (B) to have a Material Adverse Effect, or (ii) which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement and any other agreement contemplated herein to which the Company is, or any of the Stockholders are or will be a Party at Closing. Neither the Company nor any of the Stockholders has any knowledge of any valid basis for any such action, proceeding or investigation.

4.1.15. Compliance with Laws; Permits; Trade Certifications.

(a) Except as disclosed in Schedule 4.1.15(a) of the Company Disclosure Schedule, the Company is not now and has not been in violation of any applicable Law or Order, including, without limitation, those applicable to discrimination in employment, occupational safety and health, trade practices, competition in pricing, product warranties, zoning, building and sanitation, employment, retirement and labor relations, product advertising and environmental matters. Without limiting the generality of the foregoing, (i) the Company is in compliance in all material respects with all federal and state statutes, as such statutes relate to the provision of telecommunications services, and all Federal Communications Commission and state Public Utility Commission mandated payments, reporting requirements, requirements regarding customer proprietary network information (as defined in Section 222 of the Communications Act of 1934, as amended, and in related Legal Requirements), 911 and E911, and the Communications Assistance for Law Enforcement Act, and (ii) the Company has timely remitted all required contributions to state and federal universal service funds, federal and state Telecommunications Relay Services funds, and the North American Numbering Plan and number portability administrator, and has paid all Federal Communications Commission and state regulatory fees and municipal fees, and all 911 or E911 fees and surcharges, and have paid all late fees and penalties associated with the failure of the Company to remit such required contributions on a timely basis. Except as set forth in Schedule 4.1.15(a) of the Company Disclosure Schedule, the Company has not received notice of any violation or alleged violation of, and is subject to no liability for past or continuing violation of, any Laws or Orders. All reports, certifications and returns required to be filed by the Company with any Governmental Authority have been filed when due, and were accurate and complete when filed.

(b) Schedule 4.1.15(b) of the Company Disclosure Schedule sets forth a list of each government or regulatory license, authorization, authority, permit, franchise, consent and approval (the "Permits") issued to and held by or on behalf of the Company or required to be so issued and held to carry on the Business as currently conducted and as to be conducted from and after the Closing, including without limitation any and all licenses and authorities granted or issued by the Federal Communications Commission or other Governmental Authority. Except as disclosed in Schedule 4.1.15(b) of the Company Disclosure Schedule, each Permit is valid and in full force and effect and will not be terminated or impaired (or become terminated or impaired) as a result of the transactions contemplated hereby. The Company is not in default under, and to the Company's Knowledge and the knowledge of each of the Stockholders, no condition exists that with notice or lapse of time or both could constitute a default or could give rise to a right of termination, cancellation or acceleration under, any material Permit held by the Company.

4.1.16. Real Property.

(a) Schedule 4.1.16 of the Company Disclosure Schedule sets forth a correct and complete list of all real property currently owned by the Company or any of the Stockholders that is used in the Business (the "Real Property"), as well as all other real property leased, used or occupied (whether for storage or otherwise) by the Company (together with the Real Property, the "Company Property" or "Company Properties"). Schedule 4.1.16 of the Company Disclosure Schedule also sets forth a list of the current and past uses of such property by the Company and each Person who has occupied or used such property at any time during the

Company's or any Stockholder's ownership thereof. The Company has never owned or leased any other real property.

(b) Except as disclosed on Schedule 4.1.16 of the Company Disclosure Schedule, the Company does not lease, and has never leased (i) any real property owned by it to others, or (ii) any real property owned by others.

(c) The Company Properties are operated in compliance with all applicable zoning and land use requirements. The Company's present uses of the Company Properties comply in all material respects with all Laws having jurisdiction over the Company Properties, and the Company has not received any notices, oral or written, from any Governmental Authority, or has any reason to believe, that the Company Properties or any improvements erected or situated thereon, or the uses conducted thereon or therein, violate any Laws. The improvements located on the Company Properties are in good condition, subject to normal wear and tear, and are structurally sound, and all mechanical and other systems located therein are in good operating condition, subject to normal wear and tear, and no condition exists requiring repairs, alterations or corrections.

4.1.17. Personal Property.

(a) Except as otherwise disclosed on Schedule 4.1.17(a) of the Company Disclosure Schedule, all equipment and machinery which is used or useful in the Company's Business is in good repair and operating condition, reasonable wear and tear excepted, and is suitable for the purposes for which it is used. Such equipment and machinery is located at the locations specified on Schedule 4.1.17(a).

(b) Except as otherwise disclosed on Schedule 4.1.17(b) of the Company Disclosure Schedule, all inventory of the Company (i) is in all material respects of a quantity and quality usable and salable in the ordinary course of the Company's Business, and (ii) is reflected on the Financial Statements at the lower of cost (determined on a last-in, first-out basis) or market-price in accordance with GAAP applied on a consistent basis, with adequate provisions or adjustments having been made for excess and slow-moving inventory and inventory obsolescence and shrinkage. Such inventory is located at the locations specified on Schedule 4.1.17(b).

(c) Except as otherwise disclosed on Schedule 4.1.17(c) of the Company Disclosure Schedule, all accounts receivables of the Company existing as of the Closing Date (i) represent amounts due for goods actually delivered or services actually provided, (ii) are not subject to any defenses, counterclaims or rights of setoff, (iii) have been billed and are due and payable within 30 days after billing, and (iv) are fully collectible, except to the extent of the reserves maintained by the Company therefor in an amount equal to the average reserve therefor on the unaudited monthly balance sheets of the Company for each of the six (6) full calendar months immediately preceding the Closing Date. Schedule 4.1.17(c) also sets forth the total amount of such receivables outstanding as of the date set forth on such Schedule, together with the aging of such receivables.

4.1.18. Intellectual Property Rights. All Intellectual Property Rights owned by, licensed to, or used by the Company or otherwise necessary in connection with the Company's conduct of the Business, are listed on Schedule 4.1.18 of the Company Disclosure Schedule, which list sets forth (i) for each patent and registered design, the number, date of issuance, normal expiration date and subject matter for each country in which such patent or registered design has been issued, (ii) for each patent application and registered design application, the application number, date of filing and subject matter for each country in which such application has been filed, (iii) for each registered trademark and trademark application, the trademark application serial number or the trademark registration number, the registration date or the filing date, the trademark class of goods covered and the trademark expiration date for each country in which a trademark has been registered or a trademark application has been filed, (iv) for each service mark, the service mark serial number or the service mark registration number, the registration date, the service mark class of goods covered and the service mark expiration date for each country in which a service mark has been registered, (v) for each registered copyright and copyright application, the copyright number and registration date or filing date for each country in which a copyright has been registered or filed, and (vi) for each license, the parties to such license, the date of execution, the date of expiration of such license, the identification of the products covered by such license, whether the right to transfer the Intellectual Property Rights has reverted to the other party and the owner of the Intellectual Property Rights covered by such license. Except as set forth in Schedule 4.1.18 of the Company Disclosure Schedule, all such Intellectual Property Rights, are (a) owned by one or both of the Stockholders and are being transferred and assigned to Purchaser hereunder, or owned by the Company, in each case, as sole and beneficial owner without restriction (including without limitation charges, mortgages or licenses), or (b) are licensed to the Company and listed as a Contract in Schedule 4.1.12(a) of the Company Disclosure Schedule, or (c) the Company is otherwise authorized to use the same. All such Contracts and authorizations are valid and enforceable as of the date of this Agreement, and any limitations on ownership or the right to use the Intellectual Property Rights set forth in such Contracts do not materially interfere with the Company's ownership or use of the Intellectual Property Rights. The conduct of the Business does not infringe any Intellectual Property Rights of any other Person. Except as otherwise noted in Schedule 4.1.18 of the Company Disclosure Schedule, no litigation is pending or, to the Company's Knowledge or to the knowledge of either of the Stockholders, has been threatened against the Company, any of the Stockholders, or any officer, director, employee or agent of the Company, for the Company's alleged infringement of any Intellectual Property Rights of any other party or for the misuse or misappropriation of any trade secret, know-how or other proprietary right owned by any other party, nor does any basis exist for any such litigation or claim. To the Company's Knowledge and the knowledge of each of the Stockholders, there has been no infringement or unauthorized use by any other person of any Intellectual Property Right belonging to the Company or any of the Stockholders.

4.1.19. Royalties and Licenses. Each of the licenses listed in Schedule 4.1.19 of the Company Disclosure Schedule, under which the Company is the licensee, grants to the Company rights to use the proprietary rights which are the subject of such license, which rights are sufficient for the Company to use such proprietary rights as used by the Company in its business as currently conducted. The Company is in full compliance with all payment terms of such licenses, and in compliance, in all material respects, with all other terms of such licenses.

4.1.20. Title to Assets. Except as otherwise disclosed on Schedule 4.1.20 of the Company Disclosure Schedule, all assets currently owned or used by the Company in the operation of the Business shall remain in the Company and shall remain the property of the Company from and after the Closing. The assets owned or leased by the Company (including real, personal, tangible and intangible property), or which it otherwise has the right to use (including real, personal, tangible and intangible property), constitute all of the assets held for use or used in connection with the Business and are in good operating condition and repair (normal wear and tear excepted) and are adequate to conduct the Business as currently conducted. Except as otherwise disclosed on Schedule 4.1.20, the Company has good and marketable title to all real and personal property purported to be owned by it, and good leasehold title to all real and personal property purported to be leased by it, in each case free and clear of all Liens.

4.1.21. Environmental Matters.

(a) Except as disclosed in Schedule 4.1.21 of the Company Disclosure Schedule:

(i) Constituents of Concern have not been generated, recycled, used, treated or stored on, transported to or from, or released or disposed of on, the Company Property or, to the knowledge of any of the Stockholders, any property adjoining or adjacent to the Company Property, except in compliance with Environmental Laws;

(ii) The Company is in compliance with all Environmental Laws and the requirements of permits issued under such Environmental Laws with respect to the Company Property;

(iii) There are no pending or, to the knowledge of any of the Stockholders, threatened Environmental Claims against the Company, or any Company Property;

(iv) There are no facts, circumstances, conditions or occurrences regarding the Company's past or present business or operations, or regarding any Company Property that could reasonably be expected (x) to form the basis of an Environmental Claim against the Company or any of the Company Property or assets, or (y) to cause any such current Company Property or assets to be subject to any restrictions on its ownership, occupancy, use or transferability under any Environmental Law;

(v) There are not now and, to the Knowledge of the Company or to the knowledge of any of the Stockholders, there never have been any underground storage tanks or sumps located on any Real Property;

(vi) Neither the Company nor any Company Property is listed or to the Company's Knowledge or the knowledge of any of the Stockholders, proposed for listing on the National Priorities List under CERCLA, or CERCLIS (as defined in CERCLA) or on any similar federal or state list of sites requiring investigation or clean-up;

(vii) There are no Environmental Permits that are nontransferable or require consent, notification or other action to remain in full force and effect following the consummation of the transactions contemplated hereby; and

(viii) The Company has no liability under any Environmental Law, including an obligation to remediate any Environmental Condition whether caused by the Company or any other Person.

(b) There has been no environmental investigation, study, audit, test, review or other analysis commenced or conducted by or on behalf of the Company or any Stockholder (or by a third-Person of which the Company has Knowledge or any of the Stockholders has knowledge) in relation to the current or prior business of the Company, or any property or facility currently or, to the Knowledge of the Company or to the knowledge of any of the Stockholders, previously owned or leased by the Company, which has not been delivered to Purchaser prior to the date hereof.

(c) The representations set forth in the preceding subsections of this Section 4.1.21 shall not extend to any premises for which the Company hereafter signs a lease or occupies with the approval of Purchaser.

4.1.22. Plans and Material Documents.

(a) Schedule 4.1.22(a) of the Company Disclosure Schedule sets forth a list of all employee benefit plans ("Benefit Plans") within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and any other plan, program, agreement, arrangement, policy, contract, commitment or scheme, written or oral, statutory or contractual, under which the Company or any ERISA Affiliate has, or has had in the six (6) years preceding the date hereof, any obligation or liability or which are, or were in the six (6) years preceding the date hereof, maintained, contributed to or sponsored by the Company or any ERISA Affiliate for the benefit of any current or former employee, officer or director of the Company or any ERISA Affiliate. With respect to each employee pension benefit plan subject to ERISA, the Company has delivered to Purchaser a true and complete copy of each such plan (including all amendments thereto) and a true and complete copy of each material document (including all amendments thereto) prepared in connection with each such plan, including: (i) each trust or other funding arrangement, (ii) each summary plan description and summary of material modifications, and (iii) the most recently filed IRS Form 5500 for each such plan, if any. The Company does not have any express or implied commitment to create, incur liability with respect to or cause to exist, any employee benefit plan or to modify any Benefit Plan, other than as required by Law.

(b) Except as disclosed in Schedule 4.1.22(b) of the Company Disclosure Schedule, none of the Benefit Plans is a plan that is or has ever been subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code. None of the Benefit Plans is (i) a "multiemployer plan" as defined in Section 3(35) of ERISA, (ii) a plan or arrangement described under Section 4(b)(5) or 401(a)(1) of ERISA, or (iii) a plan maintained in connection with a trust described in Section 501(c)(9) of the Code. Except as disclosed in Schedule 4.1.22(b) of the Company Disclosure Schedule, (x) none of the Benefit Plans provides for the payment of

separation, severance, termination or similar-type benefits to any Person, and (y) none of the Benefit Plans provides for or promises retiree medical or life insurance benefits to any current or former employee, officer or director of the Company. Except as disclosed in Schedule 4.1.22(b) of the Company Disclosure Schedule, each of the Benefit Plans is subject only to the laws of the United States or a political subdivision thereof.

(c) Except as disclosed in Schedule 4.1.22(c) of the Company Disclosure Schedule, each Benefit Plan is in compliance in all material respects with, and has always been operated in all material respects in accordance with, its terms and the requirements of all applicable Law, and the Company and the ERISA Affiliates have satisfied in all respects all of their statutory, regulatory and contractual obligations with respect to each such Benefit Plan. No legal action, suit or claim is pending or, to the Knowledge of the Company or to the knowledge of any of the Stockholders, threatened with respect to any Benefit Plan (other than claims for benefits in the ordinary course).

(d) Except as disclosed in Schedule 4.1.22(d) of the Company Disclosure Schedule, each Benefit Plan or trust which is intended to be qualified or exempt from taxation under Section 401(a), 401(k) or 501(a) of the Code has received a favorable determination letter from the IRS that it is so qualified or exempt, and no fact or event has occurred since the date of such determination letter to adversely affect the qualified or exempt status of any Benefit Plan or trust.

(e) There has been no non-exempt prohibited transaction (within the meaning of Section 404 of ERISA or Section 4955 of the Code) with respect to any Benefit Plan. Neither the Company nor any ERISA Affiliate has incurred any material liability for any excise tax arising under Section 4951, 4952, 4955, 4980 or 4980B of the Code and no fact or event exists which could give rise to such liability. Neither the Company nor any ERISA Affiliate has incurred any material liability relating to Title IV of ERISA (other than for the payment of premiums to the Pension Benefit Guaranty Corporation).

(f) All contributions, premiums or payments required to be made with respect to any Benefit Plan have been made on or before their due dates, and any and all such amounts relating to the period of time from the Balance Sheet Date through the Closing have been or will be paid prior to the Closing (or will be accrued on the Closing Date Balance Sheet). All such contributions have been fully deducted for income tax purposes and no such deduction has been challenged or disallowed by any Governmental Authority.

(g) There has been no amendment to, written interpretation of or announcement (whether or not written) by the Company or any ERISA Affiliate thereof relating to, or change in employee participation or coverage under, any Benefit Plan that would increase materially the expense of maintaining such Benefit Plan above the level of the expense incurred in respect thereto for the most recent fiscal year ended prior to the date hereof.

(h) Except as disclosed in Schedule 4.1.22(h) of the Company Disclosure Schedule, no employee or former employee of the Company or any ERISA Affiliate thereof will become entitled to any bonus, retirement, severance, job security or similar benefit or enhanced

such benefit (including acceleration of vesting or exercise of an incentive award) as a result of the transactions contemplated hereby.

4.1.23. Interests in Customers and Suppliers. Except as set forth in Schedule 4.1.23 of the Company Disclosure Schedule, neither of the Stockholders, nor any director, officer or other employee of the Company possesses, directly or indirectly, any ownership interest in, or is a director, officer or employee of, any Person which is a supplier, customer, lessor, lessee, licensor, developer, competitor or potential competitor of the Company. Ownership of securities of a Person whose securities are registered under the Exchange Act of 2% or less of any class of such securities will not be deemed to be an ownership interest for purposes of this Section 4.1.23.

4.1.24. Customer and Supplier Relations.

(a) The relationships of the Company with its customers and suppliers, including without limitation telecommunications carriers, are good commercial working relationships and, except as disclosed in Schedule 4.1.24 of the Company Disclosure Schedule, none of the customers or suppliers of the Company has canceled, terminated or otherwise altered or notified the Company of any intention or otherwise threatened to cancel, terminate or alter its relationship with the Company. As of the date hereof there has not been and, neither the Company nor any of the Stockholders has knowledge that there will be, any change in the Company's relations with customers or suppliers of the Company as a result of the transactions contemplated by this Agreement.

(b) Schedule 4.1.24(b) of the Company Disclosure Schedule contains a list of the Company's twenty (20) largest suppliers, including telecommunications carriers, to the Business for each of the two (2) most recently completed fiscal years, showing the total dollar amount of purchases from each such supplier during each such year.

(c) Schedule 4.1.24(c) of the Company Disclosure Schedule contains a list of each customer of the Business that purchased more than \$100,000 of goods and services from the Company in each of the two (2) most recently completed fiscal years, showing the total dollar amount of purchases from each such customer during each such year.

(d) Schedule 4.1.24(d) of the Company Disclosure Schedule contains a list of all independent sales agents of the Business, and Stockholders have provided Purchaser with copies of all sales agent contracts and policy statements, and a description of all modifications or exceptions thereto. Except as set forth in Schedule 4.1.24(d) of the Company Disclosure Schedule, the Company's relationship with each such sales agent is in full force and effect and to the Knowledge of the Company or to the knowledge of the Stockholders there is no impending termination of such relationship by the independent sales agent or by the Company. No such sales agent has any claim against the Company for amounts due under the terms of any agreement or contract with such sales agent (other than amounts incurred by the Company in the Ordinary Course of the Business and not yet due and payable).

4.1.25. Employment Matters.

(a) The Company is in compliance with all Laws in respect of employment and employment practices, terms and conditions of employment and wages and hours. The Company has not, and is not, engaged in any unfair labor practice, no unfair labor practice complaint against the Company is pending before the National Labor Relations Board, there is no labor strike, dispute, slowdown or stoppage actually pending or to the Company's Knowledge or the knowledge of any of the Stockholders, threatened against or involving the Company, the Company is not a party to any collective bargaining agreement and no collective bargaining agreement is currently being negotiated by the Company. To the Knowledge of the Company and the knowledge of each of the Stockholders, there is not currently pending or threatened any proposal or attempt to organize any of the Company's employees into a labor union or other collective bargaining unit, except as specifically set forth on Schedule 4.1.25 of the Company Disclosure Schedule, no claim in respect of the employment of any employee has been asserted and is currently pending or, to the Knowledge of the Company, threatened against the Company. Except as specifically set forth on Schedule 4.1.25 of the Company Disclosure Schedule, each employee is an employee-at-will and no employee is party to any employment agreement or other written agreement that either (i) restricts the power of the Company to terminate such employee's employment at will, or (ii) imposes upon the Company any obligation to pay severance pay or accelerate any benefit payable to such employee by reason of the Company's termination of the employee's employment with the Company.

(b) Schedule 4.1.25 of the Company Disclosure Schedule contains a complete and accurate list of the following information for each employee of the Company, including each employee on leave of absence or layoff status: (i) name, (ii) job title, (iii) current compensation paid or payable and any change in compensation since the Balance Sheet Date, (iv) vacation accrued (all of which is included in the Financial Statements and Monthly Financial Statements), (v) service credited for purposes of vesting and eligibility to participate under any pension, retirement, profit-sharing, thrift-savings, deferred compensation, stock bonus, stock option, cash bonus, employee stock ownership (including investment credit or payroll stock ownership), (vi) Company severance pay, insurance, medical, welfare or vacation plan, or other Benefit Plan of the Company, and (vii) all bonuses and any other amounts to be paid by the Company to employees of the Company, including without limitation any "stay bonus," any severance payment, or any deferred compensation payment. All amounts due each employee have been, or prior to the Closing Date will be paid (or accrued on the Closing Date Balance Sheet).

(c) To the Company's Knowledge, no current employee or current director of the Company is a party to, or is otherwise bound by, any agreement or arrangement, including any confidentiality, non-competition or proprietary rights agreement, between such employee or director and any other Person that in any way adversely affected, affects, or will affect (i) the performance of his duties as an employee or director of the Company, or (ii) the ability of the Company to conduct its Business.

(d) Schedule 4.1.25 of the Company Disclosure Schedule also contains a complete and accurate list of the following information for each retired employee or director of the Company, or their dependents, receiving benefits or scheduled to receive benefits in the future as a result of an event that has occurred on or prior to the Closing Date: (i) name,

(ii) pension benefits, (iii) pension option election, (iv) retiree medical insurance coverage, (v) retiree life insurance coverage, and (vi) other benefits.

4.1.26. Finder's Fees. Except as set forth in Schedule 4.1.26 of the Company Disclosure Schedule, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of the Company or any of the Stockholders who might be entitled to any fee or other commission in connection with the transactions contemplated by this Agreement. The Stockholders will be responsible for the payment of all fees and expenses due and owing the entities listed on Schedule 4.1.26 of the Company Disclosure Schedule, and hereby, jointly and severally, indemnify Purchaser from any and all Damages associated with any claim by any entity that it is owed any fee or other commission in connection with the transactions contemplated by this Agreement.

4.1.27. Certain Payments. Neither the Company nor any of the Stockholders, nor, to the Company's Knowledge and the knowledge of each of the Stockholders, any director, officer, employee or agent of the Company, has made or caused to be made, directly or indirectly, the payment of any consideration whatsoever on behalf of the Company to any public official, candidate for public office or political party in connection with the business or operations of the Company, or pertaining to the Company's relations with any customer, supplier or creditor, in each case in contravention of the applicable law of any jurisdiction.

4.1.28. Power of Attorney and Suretyships. Except as set forth in Schedule 4.1.28 of the Company Disclosure Schedule, the Company has no power of attorney outstanding, nor any obligation or liability, either actual, accrued, accruing or contingent, as guarantor, surety, co-signor, endorser, co-maker, indemnitor or otherwise in respect of the obligation of any other Person.

4.1.29. Warranty Claims.

(a) Except as set forth on Schedule 4.1.29(a) of the Company Disclosure Schedule, there is no basis for any warranty, backcharge, additional work, field repair or other claims by any third party (whether based on contract or tort and whether relating to personal injury, including death, property damage or economic loss) arising from (i) services rendered by the Company during periods through and including the Closing Date, or (ii) the operation of the Company's Business during the period through and including the Closing Date.

(b) Schedule 4.1.29(b) of the Company Disclosure Schedule contains a true, correct and complete copy of the Company's Service Level Agreement. Except as stated on Schedule 4.1.29(b) of the Company Disclosure Schedule, there are no warranties, commitments or obligations with respect to services provided.

(c) Schedule 4.1.29(c) of the Company Disclosure Schedule contains a description of all claims or litigation relating to services rendered, which are presently pending or which, to the Company's Knowledge or the knowledge of any Stockholder, are threatened, or which have been asserted or commenced against the Company within the last six (6) years, and which a party thereto either requested injunctive relief or alleges monetary damages (whether or not covered by insurance).

4.1.30. Ownership of Capital Stock. After giving effect to the consummation of the transactions contemplated by this Agreement, Purchaser will own one hundred percent (100%) of the issued and outstanding shares of capital stock of the Company.

4.1.31. Third Party Expenses. The Company is not responsible for any costs, or expenses, including legal fees and accounting fees, incurred in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the transactions contemplated hereby, except for those that have been incurred and fully paid prior to the Closing Date. At the Closing, the Stockholders shall deliver a letter from each of its legal and accounting firms which states that all professional fees and disbursements due and owing by the Company for services rendered through and including the Closing Date have been paid in full.

4.2. Stockholder Representations and Warranties. Each of the Stockholders represents and warrants, severally, to Purchaser as of the date hereof and as of the Closing Date as follows:

4.2.1. Authority; Enforceability. Such Stockholder has all requisite power and authority, and has taken all action necessary, to execute and deliver this Agreement and each other agreement contemplated herein to which said Stockholder is or will be a Party at the Closing, to consummate the transactions contemplated hereby and to perform Stockholder's obligations hereunder and thereunder. This Agreement has been, and each other agreement contemplated herein to which such Stockholder will be a Party at the Closing will have been, duly executed and delivered by said Stockholder and constitutes, and will constitute at the Closing, legal, valid and binding obligations of said Stockholder enforceable against the Stockholder in accordance with their respective terms, except to the extent that their enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

4.2.2. No Conflicts. The execution and delivery of this Agreement and each other agreement contemplated herein to which said Stockholder is or will be a Party at the Closing has not and will not at the Closing, and the consummation of the transactions contemplated hereby and compliance with the terms hereof has not and will not at the Closing, violate or conflict with in any respect or result in a breach under any Contract, Law or Order applicable to the Stockholder.

4.2.3. No Consents. No consent of, approval or filing with any court or other Person is required to be obtained or made by or with respect to the Stockholder in connection with the execution, delivery and performance of this Agreement or any of the other agreements contemplated herein to which the Stockholder is or will be a Party at the Closing or the consummation by the Stockholder of the transactions contemplated hereby or thereby.

4.2.4. Litigation. Except as disclosed in Schedule 4.2.4 of the Company Disclosure Schedule, there is no action, suit, investigation, arbitration or administrative or other proceeding pending or, to the knowledge of the Stockholder, threatened, against or affecting the Stockholder before any court or arbitrator or any Governmental Authority which, if determined or resolved adversely to the Stockholder could reasonably be expected to, individually or when considered together with all other such matters, adversely affect the right or ability of the

Stockholder to consummate the transactions contemplated by this Agreement and the other agreements contemplated herein to which such Stockholder is or will be a Party at the Closing, and the Stockholder knows of no valid basis for any such action, proceeding or investigation.

4.2.5. Title to Capital Stock. Such Stockholder has, or on the Closing Date will have, and will transfer to Purchaser, good title to the shares of Capital Stock owned by such Shareholder as shown on Schedule 4.1.5 of the Company Disclosure Schedule, free and clear of all Liens.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF PURCHASER

Except as otherwise set forth in the Purchaser Disclosure Schedule attached hereto as Exhibit C (the "Purchaser Disclosure Schedule"), the Purchaser represents and warrants to the Company and the Stockholders as follows:

5.1. Authority; Enforceability. The Purchaser has all requisite power and authority, and has taken all action necessary, to execute and deliver this Agreement and each other agreement contemplated herein to which the Purchaser is or will be a Party at the Closing, to consummate the transactions contemplated hereby and to perform its obligations hereunder and thereunder. This Agreement has been, and each other agreement contemplated herein to which the Purchaser will be a Party at the Closing will have been, duly executed and delivered by the Purchaser and constitute, and will constitute at the Closing, legal, valid and binding obligations of the Purchaser enforceable against it in accordance with their respective terms, except to the extent that their enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

5.2. No Conflicts. The execution and delivery of this Agreement and each other agreement contemplated herein to which the Purchaser is or will be a Party at the Closing has not and will not at the Closing, and the consummation of the transactions contemplated hereby and compliance with the terms hereof has not and will not at the Closing, violate or conflict with in any respect or result in a breach under any Contract, Law or Order applicable to the Purchaser.

5.3. No Consents. Except as disclosed on Schedule 5.3 of the Purchaser Disclosure Schedule, no consent of, approval or filing with any court or other Person is required to be obtained or made by or with respect to the Purchaser in connection with the execution, delivery and performance of this Agreement or any of the other agreements contemplated herein to which the Purchaser is or will be a Party at the Closing or the consummation by the Purchaser of the transactions contemplated hereby or thereby.

5.4. Purchase For Investment. Purchaser is an accredited investor, as defined in Regulation D promulgated under the Securities Act. Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the purchase of the Common Stock. Purchaser is acquiring the Common Stock for its own account and not with a view to the distribution thereof within the meaning of Section 2(11) of the Securities Act.

5.5. Regulatory Matters. The only telecommunications services provided by Purchaser are voice over internet protocol ("VoIP") and Data services. Purchaser does not offer directly, through an intermediary or on a resold basis any TDM services. Purchaser possesses, or as of Closing will possess, all of the licenses, permits and authorizations that are necessary to both transact its business in the manner in which Purchaser presently is operating such business or is necessary in order to acquire and own the Company Shares. Except as set forth on Schedule 5.5 of the Purchaser Disclosure Schedule, Purchaser is not the subject of any investigation or inquiry by any Governmental Authority concerning the operation of Purchaser's business, the manner in which Purchaser's services have been sold, or the payment of taxes, charges, fees or assessments by any such Government Entity.

5.6. Financing. Purchaser has a written term sheet proposal from Bank of America setting forth the terms and conditions acceptable to Purchaser on which Bank of America will advance to Purchaser at or prior to the Closing sufficient liquid funds which, when added to the liquid funds in Purchaser's possession, will be sufficient to fund the Purchase Price. Bank of America has verbally informed the Purchaser that Bank of America will issue a commitment letter to the Purchaser on the same terms and conditions set forth in the term sheet proposal on or about July 9, 2010. Purchaser is not aware of any facts or circumstances with respect to Purchaser or its owners that would be likely to cause Bank of America to decline to issue such commitment letter to Purchaser.

5.7. Accurate Disclosure. None of the representations and warranties of the Purchaser set forth herein or in any document delivered by Purchaser in connection herewith, (i) is false or misleading in any material respect, (ii) contains any untrue statement of a material fact, or (iii) omits any statement of a material fact necessary to make the same, in light of the circumstances in which made, not misleading.

5.8. Finder's Fees. Purchaser has not dealt with any investment banker, broker, finder or other intermediary who might be entitled to any fee or other commission in connection with the transactions contemplated by this Agreement.

ARTICLE VI CERTAIN COVENANTS

6.1. Intentionally Deleted.

6.2. Intentionally Deleted.

6.3. Non-Competition and Non-Solicitation.

(a) Each of MC and MMB hereby acknowledges and agrees that (i) MMB has served the Company in an official capacity such that such services have been special and unique, and as a result of her role with the Company, she has been given, and may continue to receive access to trade secrets of the Business and confidential information of the Business through no unlawful act or any breach of any duty of MMB, and (ii) that each of MC and MMB will benefit substantially from the closing of the transaction contemplated by this agreement by virtue of being a Stockholder or a direct beneficiary of a Stockholder. In addition, each of MC and MMB hereby acknowledges and agrees that (aa) the covenants being granted under this Section 6.3 are

being given in connection with the acquisition by Purchaser of the Company, (bb) the covenants set forth in this Section 6.3 are necessary for the preservation of the value and goodwill of the Company, and (cc) without the covenants set forth herein, Purchaser would not consummate the transactions contemplated under this Agreement.

(b) Except as set forth in Section 6.3(g), below, during the "Covenant Period" (as defined in Section 6.3(f), below), neither MC nor MMB will, directly or indirectly, promote, participate, engage or have any other interest (whether acting as owner, purchaser, shareholder (except as an owner of less than 5% of the capital stock of a company that has its stock traded on a nationally recognized stock exchange), employee, broker, agent, principal, trustee, corporate officer, director, consultant or in any other capacity) in any business that is a reseller of telecommunications (i.e., long-distance or local calling capacity) or data services which is, directly or indirectly, competitive with any product or service offered by the Company on or prior to the Closing Date.

(c) Except as set forth in Section 6.3(g), below, during the Covenant Period, neither MC nor MMB will, directly or indirectly, solicit, canvass or approach any Person who, to the knowledge of such Stockholder, was provided with products or services by the Company at any time prior to the Closing Date, to offer that Person products or services similar to or derivative of products or services currently provided or previously provided at any time within the two (2) year period preceding the Closing Date or prior to the expiration of the Covenant Period, in each case, by Purchaser or any Affiliate of Purchaser, including the Company, or at any time prior to the Closing Date by the Company.

(d) Except as set forth in Section 6.3(g), below, during the Covenant Period, neither MC nor MMB will, directly or indirectly, solicit, canvass or approach any Person who, to the knowledge of such Stockholder, provided products or services to the Company or Purchaser or any Affiliate of Purchaser at any time during the two (2) years before the Closing Date or prior to the expiration of the Covenant Period, to endeavor to cause such Person to cease providing products or services to the Company, Purchaser or any Affiliate of Purchaser.

(e) During the Covenant Period, neither of MC or MMB will, directly or indirectly, hire or employ (as a consultant, employee, or otherwise), solicit or entice away any director, officer or employee of the Company.

(f) For purposes of this Section 6.3, the term "Covenant Period" shall mean, for each of neither of MC or MMB, the period commencing on the date of this Agreement and terminating on the fifth anniversary of the Closing Date.

(g) Notwithstanding the provisions of Sections 6.3(b), (c), and (d), Purchaser (i) acknowledges that the restrictions in Sections 6.3(b), (c), and (d) are intended to protect the Company's engaging in its business as a reseller of telecommunications and data services, and (ii) agrees that nothing in this Section 6.3 is intended or shall be construed to prohibit either MC or MMB from accepting employment or any consulting engagement, directly or indirectly, with, or owning any interest in, any telecommunications carrier (e.g., QWEST) or other retailer or wholesaler of telecommunications or data services other than any other reseller of such services.

(h) The covenants of neither of MC or MMB as set forth in this Section 6.3, are expressly made on a several, and not on a joint and several, basis.

(i) The Parties agree that [REDACTED] of the Purchase Price shall be allocated to the covenants delivered by MC, and that [REDACTED] of the Purchase Price shall be allocated to the covenants delivered by MMB, under this Section 6.3 [REDACTED]

(j) Severability. Each of the parties hereto hereby acknowledges and agrees that the restrictive covenants set forth herein are reasonable and valid in all respects. If any court determines that the restrictive covenants or any part thereof are invalid or unenforceable, the remainder of the restrictive covenant shall not thereby be effected and shall be given full effect, without regard to the invalid portion. If any court determines that the restrictive covenants or any part thereof are unenforceable because of the duration or geographic scope of any provision, such court shall have the power to, and each of the parties hereto hereby agrees to petition such court to, reduce the duration or geographic scope of such provision, as the case may be and, in its reduced form, such provision shall then be enforceable and shall be enforced.

6.4. Monthly Financial Statements. The Company shall, and the Stockholders shall cause the Company to, provide to Purchaser Monthly Financial Statements of the Company, not later than the twenty-first (21st) day of each month (or such later date in such month as is acceptable to Purchaser), for each month through and including the month immediately prior to the Closing.

6.5. Further Assurances. From and after the Closing Date, from time to time, as and when requested by any Party hereto, the other parties will execute and deliver, or cause to be executed and delivered, all such documents and instruments and will take, or will cause to be taken, all such further actions, as the requesting Party may reasonably deem necessary or desirable to effectuate the transactions contemplated by this Agreement.

6.6. Confidentiality. From and after the Closing, each of the Stockholders covenants and agrees to maintain the confidentiality of all Confidential Information relating to the Business, except to the extent such disclosure is (i) authorized by Purchaser, or (ii) required by Law or court order, upon prior written notice to Purchaser so that Purchaser may seek a protective order or other appropriate relief.

6.7. Operation of Business.

6.7.1. During the period from the date of this Agreement to the Closing Date, the Stockholders will, jointly and severally, cause the Company to, and the Company shall, conduct its operations only in the Ordinary Course of Business of the Company, and use its commercially reasonable efforts to:

- (a) preserve intact its business organizations;
- (b) keep available the services of its officers and employees; and

(c) maintain its relationships and goodwill with licensors, suppliers, distributors, customers, landlords, employees, agents and others having business relationships with any of them or the Business. The Company will confer with Purchaser concerning operational matters of a material nature and report periodically to Purchaser concerning the Business, and the operations and finances of the Company. Without limiting the generality or affect of the foregoing, prior to the Closing Date, except with the prior written consent of Purchaser, the Company will not, and each Stockholder will cause the Company not to:

(i) Amend or modify its Articles of Incorporation or Bylaws from their respective forms on the date of this Agreement;

(ii) Change any salaries or other compensation of, or pay any bonuses to, any director, officer, employee or owner of the Company, or enter into any employment, severance or similar agreement with any director, officer, owner or employee of the Company (other than payments to holders of options to purchase shares of Company capital stock, in consideration of the termination of such options);

(iii) Adopt or increase any benefits under any profit sharing, bonus, deferred compensation, savings, insurance, pension, retirement, or other employee benefit plan for or with any of its employees;

(iv) Enter into any contract or commitment except contracts and commitments (for capital expenditures or otherwise) in the Ordinary Course of Business of the Company;

(v) Incur, assume or guaranty any indebtedness other than in the Ordinary Course of Business;

(vi) Acquire any inventory or incur any payables or other obligations to suppliers, other than in the Ordinary Course of Business;

(vii) Create or assume any Lien other than Permitted Liens; or

(viii) Agree to do any of the foregoing.

6.7.2. Notwithstanding the provisions of Section 6.7.1, above, prior to the Closing Date, the Company shall have the right to make cash distributions to the Stockholders, with respect to their shares of Company's Capital Stock as follows: (a) on a recurring monthly basis in amounts consistent with the amount of the regular monthly distributions that the Company has made to the Stockholders during the past twelve (12) months, (b) on a quarterly basis in such amounts as the Company's Board of Directors estimates in good faith to be appropriate to cover each Stockholder's combined effective federal and state income taxes on such Stockholder's allocable share of the Company's taxable income, and (c) after written notice to the Purchaser, such additional amounts as do not exceed, cumulatively, the excess of (i) the Company's net income in the current calendar year-to-date, *reduced by* (ii) prior distributions made in the current calendar year-to-date.

6.8. Exclusive Dealing. During the period from the date of this Agreement until the Termination Date, neither the Company nor any Stockholder, nor any of their respective Affiliates, nor any officer or director of the Company or any of its Affiliates, nor any representatives of any of the foregoing (including advisors, agents, attorneys, employees or consultants) will take any action to, directly or indirectly, encourage, initiate, solicit or engage in negotiations with, or provide any information to any Person, other than Purchaser (and its Affiliates and representatives), concerning any purchase of any capital stock or other equity interest of the Company or any merger, asset sale or similar transaction involving the Company. The Company and each of the Stockholders will promptly disclose to Purchaser the existence or occurrence of any proposal or contract which the Company or the Stockholders or any of their representatives described above may receive in respect of any such transaction and the identity of the Person from whom such a proposal or contract is received.

6.9. Intentionally Deleted.

6.10. Access to Information. From and after the date hereof, Purchaser may, directly or through its representatives, review the properties, books and records of the Company and its financial and legal condition to the extent it deems necessary or advisable to familiarize itself with such properties and other matters. The Stockholders hereby agree to permit Purchaser and its representatives to have, from and after the date hereof, after reasonable notice, reasonable access to the premises and to all of the books and records of the Company and to cause the officers of the Company to furnish Purchaser with such financial and operating data and other information with respect to the Business as Purchaser will from time to time reasonably request.

6.11. Commercially Reasonable Efforts. Each of the parties hereto will cooperate and use commercially reasonable efforts to take, or cause to be taken, all appropriate actions, and to make, or cause to be made, all filings necessary, proper or advisable under applicable Law to consummate and make effective the transactions contemplated by this Agreement.

6.12. Regulatory Matters. The parties hereto agree that they will engage Leon Nowalsky of Nowalsky, Bronston & Gothard PLLC (the "Nowalsky Firm") to prepare, file and process any and all applications for consent required from the Federal Communications Commission and state regulatory agencies in connection with the transactions contemplated herein. Purchaser will contribute fifty percent (50%) of the fees and disbursements associated with such engagement, up to a maximum amount of \$15,500 and the Stockholders shall be responsible for the payment of the balance of such amounts. Purchaser and the Company each shall pay fifty percent (50%) of each invoice for fees and costs from the Nowalsky Firm until Purchaser has paid its \$15,500 share thereof, and the Company thereafter shall bear all such fees and costs.

6.13. Termination of Options.

6.13.1. Prior to the Closing, the Company shall, and the Stockholders shall cause the Company to, terminate any and all outstanding options, warrants, agreements or other rights (preemptive, first refusal or otherwise) for the acquisition of shares of capital stock of the Company, and shall pay any and all amounts required to be paid in connection therewith.

6.13.2. The Parties hereby:

(a) acknowledge that one option holder's option is "in the money" and that upon any acceleration of options by the Company, such option holder may elect to exercise such option and become a stockholder of the Company; and

(b) agree that (i) the Company may enter into an agreement with such option holder to pay a cash bonus to that option holder in lieu of her exercising the option and becoming a stockholder, and (ii) if such option holder exercises her option and becomes a stockholder of the Company, then the Company may effect a reverse stock split and pay cash in lieu of fractions of a share in order to purchase, prior to Closing, the shares held by such option holder.

6.14. Delivery of Data. As soon as reasonably practicable after the date of this Agreement, but in any event not more than twenty (20) Business Days thereafter, the Company shall deliver to Purchaser on one or more CD-Rom disks a complete and accurate electronic copy of all documents and information available in the "data room" made available to Purchaser in the course of its due diligence investigation of the Company and its Business.

6.15. Customer Notice. The Company and Purchaser each hereby consents to the content of and mailing to all of Company's customers, concurrently with the mailing of the Company's bills for the month of June 2010, of the notice attached hereto as Exhibit D and acknowledge that use of such notice is intended solely to comply with the FCC's anti-slamming regulations.

6.16. Substitution of Signer. Purchaser (a) acknowledges that certain individuals (the "Existing Signers") previously have executed and delivered to cognizant Governmental Authorities having jurisdiction over the Company agreeing to be personally liable for sales tax amounts, excise tax amounts and other costs and expenses that the Company may incur in the course of its business in the States, Cities, and other areas over which those cognizant Governmental Authorities have jurisdiction, and (b) agrees to (i) cause a financially responsible Person to execute and deliver to such Governmental Authorities prior to Closing such substitute guaranty, indemnity, bond, or other financial accommodation as such Governmental Bodies may require in order to release the Existing Signers from liability for events and circumstances occurring after the Closing, and (ii) indemnify, defend and hold Stockholders and the Existing Signers (each of whom is an intended third-Person beneficiary of this Section 6.16, and may enforce Purchaser's obligations under this Section 6.16 to the same extent as either Stockholder) free and harmless from and against all claims, costs, damages, and expenses arising from or relating to taxes, fees, interest, and penalties that (A) are attributable to the operations of the Company after the Closing Date, and (B) are asserted against any such Existing Signer (or its heirs, successors or assigns) by reason of such Person's status as an Existing Signer.

6.17. Access to Records. If any Governmental Authority conducts an audit or if any Person asserts a claim with respect to a period for which Stockholders are obligated to provide indemnity under this Agreement, then Purchaser and the Company shall provide Stockholders, the Stockholder Representative, and their agents reasonable access to the books, records, and personnel of the Company to the extent reasonably required to enable them to respond to such audit or claim.

6.18. Nonsolicitation.

6.18.1. Purchaser acknowledges and agrees that (i) the Company has invested and continues to invest substantial resources in training the Company's employees, (ii) because of the difficulty of hiring and retaining talented technical and management employees in Santa Barbara County, the Company would suffer substantial damages if Purchaser were to fail to close the purchase of the Capital Stock and thereafter hire any of the Company's employees or to solicit or induce any such employees to terminate employment with the Company, and (iii) the Company has a legitimate commercial interest in protecting its employment relationships with its employees.

6.18.2. Purchaser agrees that, during the period of twelve (12) months following termination of this Agreement for any reason, Purchaser shall not (other than with the prior written consent of the Company, which consent may be withheld in the sole discretion of the Company) (i) hire any of the employees of the Company who were involved in the negotiations or Purchaser's due diligence investigations related to the transactions contemplated hereunder, or (ii) solicit or induce any such employees to terminate employment with the Company or to commence employment with the other party or any person other than the Company.

6.18.3. Purchaser acknowledges that it is difficult and impracticable to predict with certainty the amount of damages that the Company would suffer if Purchaser breached its covenants under Section 6.18.2, above, and therefore agrees that in the event of any such breach, Purchaser shall pay to the Company liquidated damages in an amount equal to [REDACTED] for each Company employee that Purchaser hires or solicits or induces in violation of Section 6.18.2, above.

6.18.4. If any action is commenced to construe or enforce the provisions of this Section 6.18, then the party prevailing in that action shall be entitled to recover its reasonable attorneys' fees and costs in that action, as well as all reasonable attorneys' fees and costs of enforcing any judgment entered therein.

6.19. Public Announcements.

(a) The initial press release, if any, with respect to the signing of this Agreement or the consummation of the transactions contemplated herein shall be a joint press release mutually acceptable to Purchaser and the Company. Neither Purchaser, the Company nor any Stockholder shall, or shall issue or cause or permit the publication of any other press release or disclosure with respect to this Agreement or the transactions contemplated herein without prior consultation with the other Parties hereto, except (i) the issuance of such press release or disclosure is required by an applicable Law, or (ii) such press release or disclosure does not disclose any material information about the transactions contemplated herein that has not previously been disclosed in a communication permitted or approved pursuant to this Section 6.19. The Company and Purchaser will consult with each other concerning the means by which the Company's employees, customers, suppliers and others having dealings with the Company will be informed of the transactions contemplated herein, and Purchaser will have the right to be present for any such communication. Without limiting the foregoing, at any time

prior to Closing, the Purchaser will not make or attempt to make or announce the intention to make any change to the terms of Stockholder's agent agreements.

(b) Except with the prior written consent of the Stockholders, not to be unreasonably withheld, conditioned or delayed, Purchaser will not contact any of the Company's sales agents, customers, telecommunications carrier vendors or employees of the Company, except that the Purchaser may contact the Company's President or Director of Revenue Assurance to discuss the operations of the Company.

6.20. Stockholder Personal Items. Purchaser (a) acknowledges that the artwork, photographs, and leather couch in the Company's executive office formerly occupied by [REDACTED] belong to the Stockholders, and (b) agrees that the Stockholders, at their sole expense, may remove those items from the Company's Premises not later than two (2) weeks after the Closing.

6.21. Sales Agent Agreements. The Company shall, and the Stockholders shall cause the Company to, use commercially reasonable efforts to cause each independent sales agent having an equity compensation arrangement in his, her or its sales agent agreement to enter into an amendment to such sales agent agreement to remove such equity compensation arrangement and to revise the compensation paid to the independent sales agent by the Company under such sales agent agreement, which amendment shall be in form and substance reasonably acceptable to the Purchaser.

6.22. Employee Severance. The Parties (a) acknowledge that (i) the Company currently employs [REDACTED] pursuant to an Employment Agreement dated July 14, 1997 and January 23, 1998, as amended by an Amendment to Employment Agreement dated January 22, 2007 (as so amended, the [REDACTED]) (ii) [REDACTED] current annual base compensation is [REDACTED] and (iii) under the terms of the [REDACTED] Agreement, if the Company terminates [REDACTED] employment with the Company other than for "Cause" (as defined therein), then the Company is obligated to pay to [REDACTED] severance pay in an amount equal to nine (9) months' base annual compensation, and (b) agree that if, within six (6) months following the Closing Date, the Company terminates [REDACTED] employment with the Company other than for "Cause" (as defined in the [REDACTED] Agreement) such that the Company is obligated to pay severance pay to [REDACTED] under the terms of the [REDACTED] Agreement, then (i) the Stockholders shall pay fifty percent (50%) of the amount of such severance pay, but not more than 50% of [REDACTED] current base annual compensation of [REDACTED] (i.e., 50% x 9 months/12 months x [REDACTED] contribution by Stockholders), which amount shall be withdrawn from the Purchase Price Escrow held by Escrow Agent, and (ii) the Company and Purchaser shall bear the remainder of the severance pay due to [REDACTED] under the [REDACTED] Agreement.

6.23. Company Lease. The Parties (a) acknowledge that the Company's lease for the premises that the Company currently occupies will expire on December 31, 2010, and it is necessary for the Company to enter into a lease for and occupy, by that date, suitable replacement premises reasonably comparable to that which the Company currently occupies (the "Replacement Premises"), and (b) agree that (i) the Company shall exercise commercially reasonable efforts to locate Replacement Premises situated in Santa Barbara, California (or at a location within twenty (20) miles of the Company's current premises), (ii) the Company shall

keep Purchaser informed of the Company's efforts to locate the Replacement Premises and shall not execute a lease for Replacement Premises without first consulting with Purchaser and affording Purchaser an opportunity to provide input with respect to the location and leasing terms for any Replacement Premises, (iii) Purchaser shall advance to the Company, at Closing, an amount equal to the sum of the costs of any tenant improvements, space planning services, and other reasonable moving and relocation costs that the Company pays or incurs in connection with leasing and relocating to the Replacement Premises, and (iv) the amount of the advance that is due to the Company under the preceding clause "(iii)" shall be included as an asset of the Company in calculating the Company's Closing Working Capital under Section 2.2, above.

ARTICLE VII TAX MATTERS

7.1. Election to Terminate Tax Year. Each of the parties hereto covenants and agrees to execute such documents and take such further actions as may be reasonably required to elect, pursuant to Section 1377(a)(2) of the Code, to allocate the current years income of the Company as if the Tax year consisted of two (2) Tax years, the first of which ends on the date of the Closing.

7.2. Tax Returns. The Purchaser will have the exclusive authority and obligation to prepare and timely file, or cause to be prepared and timely filed, a short year Return for the period commencing January 1, 2010, and ending on the Closing Date (the "Short Year"), *provided that* (a) (i) such Tax Return for that Short Year shall be prepared in a manner consistent with prior-period Tax Returns for the Company, and (ii) prior to filing such Return for that Short Year, the Purchaser shall provide a draft copy of such Return to the Stockholders' certified public accountants a reasonable period prior to the intended filing date, and shall reasonably consider and act upon any input from such certified public accountants, and (b) notwithstanding the foregoing, (i) the Stockholders may deliver to the Purchaser within fifteen (15) days after the Closing a written election to have the Stockholders' own certified public accountants prepare such tax return for that Short Year, and (ii) if the Stockholders timely make that election, then (A) they shall cause their certified public accountants to prepare and timely file such Return and (B) the Stockholders shall provide a draft copy of such Return to the Purchaser a reasonable period prior to the intended filing date, and shall reasonably consider and act upon any input from such certified public accountants. Purchaser and the Stockholder Representative agree to consult and resolve in good faith any objection either has on the proposed Tax Return for the Short Year.

7.3. Apportionment of Taxes. All Taxes and Tax liabilities with respect to the property or operations of the Company that relate to a taxable year or other taxable period beginning before and ending after the Closing Date will be apportioned between the Pre-Closing Tax Period and the Post-Closing Tax Period on the basis of an interim closing of the books as of the date of the Closing. All taxable income of the Company associated with the Short Year shall be allocated to the Stockholders, and the Stockholders shall be responsible and pay all Taxes which are attributable to such taxable income and any other Taxes attributable to any Pre-Closing Tax Period, including any and all Taxes due as a result of the operations of the Business during the Short Year. The Stockholders will reimburse the Company for the payment of all Taxes of the Company which are attributable to any Pre-Closing Tax Period, whether shown on

any original Return or amended Return for the period referred to therein, which, with respect to any such Tax, exceeds the accrual for such Tax set forth in the balance sheet included with the Closing Working Capital Statement. Purchaser will be liable for the payment of all Taxes which are attributable to any Post-Closing Tax Period. All transfer, documentary, sales, use, stamp, registration and value added Taxes imposed on Purchaser or the Company which are incurred in connection with this Agreement will be borne and paid by the Stockholders, when due, and each Stockholder will, at his or her own expense, cause to be filed all necessary Returns and other documentation with respect to all such Taxes and fees.

7.4. Cooperation: Audits. In connection with the preparation of Returns, audit examinations and any administrative or judicial proceedings relating to the Tax liabilities imposed on the Company for all Pre-Closing Tax Periods, Purchaser, on the one hand, and each Stockholder, on the other hand, will cooperate fully with each other, including, but not limited to, the furnishing or making available during normal business hours of records, personnel (as reasonably required), books of account, powers of attorney or other materials necessary or helpful for the preparation of such Returns, the conduct of audit examinations or the defense of claims by Tax Authorities as to the imposition of Taxes. Purchaser shall permit the Stockholders or their representative to participate in any audit of any period ended on or prior to the Closing or including any period prior to the Closing, and shall not settle any audit issues with respect to any such period without the prior written approval of the Stockholders, which approval shall not be unreasonably withheld, conditioned, or delayed.

7.5. Section 338(h)(10) Election. The Company and each Stockholder shall join with the Purchaser in making a timely election under 338(h)(10) of the Code (and any corresponding election under state, local, and foreign tax law) with respect to the purchase and sale of the Shares hereunder (collectively, a "Section 338(h)(10) Election"). Each Stockholder and the Purchaser agree to cooperate in good faith with each other in the preparation and timely filing of any Tax Returns required to be filed in connection with the making of such an election, including the exchange of information and the preparation and filing of Form 8023 and related schedules. The Purchaser and each Stockholder agree to report the transactions contemplated by this Agreement consistently with such elections and shall take no position contrary thereto.

ARTICLE VIII CONDITIONS TO CLOSING

8.1. Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate transactions contemplated hereunder are subject to the satisfaction of the following conditions, each of which may be waived by Purchaser:

8.1.1. Representations, Warranties and Covenants of the Company and the Stockholders.

(a) The representations and warranties of the Company and each of the Stockholders made in this Agreement will be true and correct in all respects (or, if any such representation is not expressly qualified by "materiality," "Material Adverse Effect" or words of similar import, then in all material respects) as of the date hereof and as of the Closing, as though made as of the Closing.

(b) The Company and each of the Stockholders shall have performed and complied with all terms, agreements and covenants contained in this Agreement required to be performed or complied with by the Company and the Stockholders on or before the Closing Date.

(c) The Company will have delivered to Purchaser a certificate of the Company's Chief Executive Officer, and each of the Stockholders will have delivered to Purchaser a certificate of such Stockholder, all dated as of the Closing Date, confirming the foregoing and such other evidence of compliance with their obligations as Purchaser may reasonably request.

8.1.2. Secretary's Certificate of the Company. The Company shall have delivered to Purchaser a certificate from the Company's Secretary certifying as to the due adoption of resolutions adopted by its Board of Directors and the Stockholders authorizing the execution of this Agreement and the other agreements contemplated herein and the taking of any and all actions deemed necessary or advisable to consummate the transactions contemplated herein and therein.

8.1.3. No Injunctions. No provision of any applicable Law and no judgment, injunction, order or decree will be in effect which will prohibit the consummation of the transactions contemplated under this Agreement.

8.1.4. No Proceedings. No proceeding challenging this Agreement, the other agreements contemplated herein or the transactions contemplated hereby or thereby, or seeking to prohibit, alter, prevent or materially delay the Closing or seeking damages will have been instituted by any Person (other than Purchaser) before any court, arbitrator or Governmental Authority and be pending.

8.1.5. Required Filings. All actions by or in respect of or filings by the Company or any Stockholder with any Person required to permit the consummation of the Closing shall have been taken, made or obtained.

8.1.6. Opinion of Counsel. Purchaser shall have received an opinion of Reicker, Pfau, Pyle & McRoy LLP, counsel to the Company and the Stockholders, dated the Closing Date, in the form attached hereto as Exhibit E.

8.1.7. Termination of Security Interests. The Company shall have obtained releases and other documentation reasonably requested by Purchaser in form and in substance satisfactory to Purchaser providing for the termination and release of all Liens, other than Permitted Liens.

8.1.8. Other Agreements. Each of the other agreements contemplated herein, including, without limitation, the Escrow Agreement, shall have been executed and delivered by the parties thereto other than Purchaser.

8.1.9. Third-Party Consents; Governmental Approvals. All consents, approvals, waivers and Permits, if any, disclosed or required to be disclosed on any Schedule attached hereto or otherwise required in connection with the consummation of the transactions

contemplated by this Agreement shall have been received. All of the consents, approvals, authorizations, exemptions, waivers and Permits from Governmental Authorities that will be required in order to enable Purchaser to consummate the transactions contemplated hereby shall have been obtained.

8.1.10. Stock Certificates. The Stockholders shall have delivered to Purchaser all of the stock certificates evidencing the Capital Stock, properly endorsed for transfer to, or with duly endorsed Stock Powers transferring the same to, Purchaser.

8.1.11. No Material Adverse Change. Prior to the Closing Date, no event shall have occurred which, individually or when considered together with all other matters, has had or could reasonably be expected to have a Material Adverse Effect.

8.1.12. Additional Documents. The Company and the Stockholders shall have furnished Purchaser with the following documents:

(a) The Articles of Incorporation of the Company and all amendments thereto, duly certified by the proper officials of the State of California;

(b) Certificates as to the good standing of the Company and payment of all applicable state Taxes thereby, executed by the appropriate officials of the State of California and of each other state in which the Company is qualified as a foreign corporation;

(c) The Bylaws of the Company, duly certified by the Secretary of the Company as being in full force and effect on the Closing Date and at all times subsequent to the date of this Agreement;

(d) Resignations, effective on the Closing Date, of all of the directors and officers of the Company;

(e) The complete and correct corporate minute book, stock ledgers, stock transfer records and corporate seals of the Company; and

(f) Such other documents relating to the Company and/or the Stockholders as Purchaser may reasonably request.

8.1.13. General Release. Each of the Stockholders and each officer and director of the Company shall have delivered to the Company a general release of all claims they may have through the Closing Date against the Company, *provided that* such release shall not extend to claims for (a) current compensation that is included in the calculation of the Total Shareholders' Equity of the Company as of the Closing Date, or (b) claims for indemnification under any applicable statute, the articles of incorporation or bylaws of the Company, or any agreement to provide indemnification, to the extent that such claim for indemnification arises out of any action taken in their capacity as an officer or member of the board of directors of the Company.

8.1.14. Section 338(h)(10) Election. The Stockholders shall have made an election under Section 338(h)(10) of the Code and the Treasury Regulations promulgated

thereunder pursuant to which (i) the Company will be deemed to have sold all of its assets to Purchaser and distributed the proceeds to the Stockholders in complete liquidation of the Company, and (ii) the gain recognized by the Company on such deemed sale of assets will pass through to the Stockholders, increasing their tax basis for the Capital Stock, before measuring the Stockholders' resulting gain or loss on the deemed liquidation of the Company. Such 338(h)(10) election shall be made on Internal Revenue Service Form 8023 in accordance with the instructions thereunder.

8.2. Conditions to Obligations of the Company and the Stockholders. The obligations of the Company and the Stockholders to consummate the transactions contemplated hereunder are subject to the satisfaction of the following conditions:

8.2.1. Representations, Warranties and Covenants of Purchaser. The representations and warranties of Purchaser made in this Agreement will be true and correct in all respects (or, if any such representation is not expressly qualified by "materiality," "Material Adverse Effect" or words of similar import, then in all material respects) as of the date hereof and as of Closing, as though made as of the Closing. Purchaser shall have performed and complied with all terms, agreements and covenants contained in this Agreement required to be performed or complied with by Purchaser on or before the Closing Date, including, without limitation, the delivery of the Purchase Price in accordance with Section 2.1 above.

8.2.2. No Injunctions. No provision of any applicable Law and no judgment, injunction, order or decree will be in effect which will prohibit the consummation of the transactions contemplated under this Agreement.

8.2.3. Other Agreements. Each of the other agreements contemplated herein, including, without limitation, the Escrow Agreement, shall have been executed by Purchaser or the Company, as the case may be.

8.2.4. Section 338(h)(10) Election. Purchaser shall have made an election under Section 338(h)(10) of the Code and the Treasury Regulations promulgated thereunder pursuant to which (i) the Company will be deemed to have sold all of its assets to Purchaser and distributed the proceeds to the Stockholders in complete liquidation of the Company, and (ii) the gain recognized by the Company on such deemed sale of assets will pass through to the Stockholders, increasing their tax basis for the Capital Stock, before measuring the Stockholders' resulting gain or loss on the deemed liquidation of the Company. Such 338(h)(10) election shall be made on Internal Revenue Service Form 8023 in accordance with the instructions thereunder.

ARTICLE IX SURVIVAL; INDEMNIFICATION

9.1. Survival. The representations and warranties of the parties contained in this Agreement or in any certificate or other agreement delivered hereunder will survive the Closing until the date which is fifteen (15) months following the Closing Date; *provided, however*, that (i) the representations and warranties contained in Section 4.1.10, Section 4.1.21, Section 4.1.22 and Section 4.1.25 of this Agreement will survive the Closing until sixty (60) days after the expiration of the statute of limitations applicable to the matters covered thereby (or if no

applicable statute of limitations exists, then for a period of three (3) years from and after the Closing Date), (ii) all of the Selected Company and Stockholder Representations and Warranties will survive the Closing indefinitely, and (iii) any claim based on fraud shall survive the Closing indefinitely. Notwithstanding the immediately preceding sentence, any representation or warranty in respect of which indemnity may be sought under this Agreement will survive the time at which it would otherwise terminate pursuant to the immediately preceding sentence if written notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the Party against whom such indemnity may be sought prior to such time; *provided, however*, that the applicable representation or warranty will survive only with respect to the particular inaccuracy or breach described in reasonable specificity in such written notice.

9.2. Indemnification.

(a) Each of the Stockholders, jointly and severally, hereby agrees to indemnify, defend and hold harmless Purchaser and its shareholders, Affiliates, successors and assigns against any and all liabilities, damages and losses, and all costs or expenses, including, without limitation, reasonable attorneys' and consultants' fees and expenses (all of the foregoing hereinafter referred to as "Damages"), incurred or suffered as a result of or arising out of (i) any inaccuracy or breach of any of the representations or warranties made by the Company or the Stockholders in this Agreement or executed and delivered by the Stockholders at the Closing in accordance with this Agreement, (ii) the breach of any covenant, obligation or agreement made or to be performed, fulfilled or complied with by the Company or the Stockholders pursuant to this Agreement; (iii) any claim by any current or former shareholder, director, officer or employee of the Company that (A) alleges an act or omission by the Company, any Stockholder and/or the Business at any time prior to the Closing Date or (B) constitutes claims for indemnification under any applicable statute, the articles of incorporation or bylaws of the Company, or any agreement to provide indemnification, to the extent that such claim for indemnification arises out of any action taken in their capacity as an officer or member of the board of directors of the Company at any time prior to the Closing Date, provided that the liability of the Stockholders under this clause (iii)(B) shall not extend to any portion of such claims that is covered by insurance; and (iv) any matter disclosed on Schedule 4.1.10(a)(i) of the Company Disclosure Schedule; *provided, however*, that the Stockholders' liability under clause (i) of this Section 9.2(a) will not exceed, in the aggregate (other than with respect to a breach of any of the representations or warranties set forth in Section 4.1.10, Section 4.1.21, Section 4.1.22 or Section 4.1.25 of this Agreement, an action for or claim of fraud, or a breach of any of the Selected Company and Stockholder Representations and Warranties), an amount (the "Cap") equal to fifty percent (50%) of the Purchase Price, and the Stockholders' liability under clause (ii) of this Section 9.2(a) will not exceed, in the aggregate, the amount of the Purchase Price.

(b) The Stockholders, severally and not jointly, will indemnify, defend and hold harmless Purchaser and its officers, directors, employees, Affiliates, stockholders and agents and the successors to the foregoing (and their respective officers, directors, employees, Affiliates, stockholders and agents) against Damages incurred or suffered as a result of or arising out of (i) any inaccuracy or breach of any representation or warranty made by such Stockholder in any subsection of Section 4.2 of this Agreement, or (ii) the breach of any covenant or agreement made or to be performed, fulfilled or complied with by such Stockholder pursuant to

the terms and conditions of this Agreement, *provided, however*, that the Stockholders' liability under clause (i) of this Section 9.2(a) will not exceed, in the aggregate the portion of the Purchase Price payable to such Stockholder.

(c) Purchaser will indemnify, defend and hold harmless the Stockholders against Damages incurred or suffered as a result of or arising out of (i) any inaccuracy or breach of any representation or warranty made by Purchaser in or pursuant to this Agreement, or (ii) the breach of any covenant or agreement made or to be performed, fulfilled or complied with by Purchaser pursuant to this Agreement; *provided, however*, that the Purchaser's liability under clause (i) of this Section 9.2(c) will not exceed, in the aggregate, the Cap.

9.3. Tax Indemnification. On and after the Closing, the Stockholders will, jointly and severally, indemnify, defend and hold harmless Purchaser against (i) all Taxes (and losses, claims and expenses related thereto) resulting from, arising out of, or incurred with respect to, any claims that may be asserted by any Party based upon, attributable to, or resulting from the failure of any representation or warranty made pursuant to Section 4.1.10 to be true and correct as of the Closing Date, (ii) all Taxes imposed on or asserted against the Company and/or the Purchaser or for which Purchaser or any of its Affiliates may be liable in respect of the Business or the income or operations of the Company for all Pre-Closing Tax Periods, in each instance to the extent in excess of the amount of the accrual therefor on the Closing Working Capital Statement. For the avoidance of doubt, the Stockholders shall not be liable for any Taxes incurred by Purchaser by reason of or related to Purchaser's acquisition of the shares of the capital stock of the Company.

9.4. Procedures.

(a) If any Person who or which is entitled to seek indemnification under Section 9.2 or Section 9.3, above (an "Indemnified Party"), receives notice of the assertion or commencement of any Third-Party Claim against such Indemnified Party with respect to which the Person against whom or which such indemnification is being sought (an "Indemnifying Party") is obligated to provide indemnification under this Agreement, the Indemnified Party will give such Indemnifying Party reasonably prompt written notice thereof, but in any event not later than ten (10) days after receipt of such written notice of such Third-Party Claim. Such notice by the Indemnified Party will describe the Third-Party Claim in reasonable detail, will include copies of all available material written evidence thereof and will indicate the estimated amount, if reasonably practicable, of the Damages that have been or may be sustained by the Indemnified Party. The Indemnifying Party will have the right to participate in, or, by giving written notice to the Indemnified Party, to assume, the defense of any Third-Party Claim at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel (reasonably satisfactory to the Indemnified Party), and the Indemnified Party will cooperate in good faith in such defense.

(b) If, within ten (10) days after giving notice of a Third-Party Claim to an Indemnifying Party pursuant to Section 9.4(a), above, an Indemnified Party receives written notice from the Indemnifying Party that the Indemnifying Party has elected to assume the defense of such Third-Party Claim as provided in the last sentence of Section 9.4(a), the Indemnifying Party will not be liable for any legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof; *provided, however*, that if the

Indemnifying Party fails to take reasonable steps necessary to defend diligently such Third-Party Claim within ten (10) days after receiving written notice from the Indemnified Party that the Indemnified Party reasonably believes the Indemnifying Party has failed to take such steps or if the Indemnifying Party has not undertaken fully to indemnify the Indemnified Party in respect of all Damages relating to the matter, the Indemnified Party may assume its own defense, and the Indemnifying Party will be liable for all reasonable costs and expenses paid or incurred in connection therewith. Without the prior written consent of the Indemnified Party, the Indemnifying Party will not enter into any settlement of any Third-Party Claim which would lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder, or which provides for injunctive or other non-monetary relief applicable to the Indemnified Party, or, as to matters other than Tax Matters, does not include an unconditional release of all Indemnified Parties. If a firm offer is made to settle a Third-Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is entitled to indemnification hereunder and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party will give written notice to the Indemnified Party to that effect. If the Indemnified Party fails to consent to such firm offer within ten (10) days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third-Party Claim and, in such event, the maximum liability of the Indemnifying Party as to such Third-Party Claim will not exceed the amount of such settlement offer. The Indemnified Party will provide the Indemnifying Party with reasonable access during normal business hours to books, records and employees of the Indemnified Party necessary in connection with the Indemnifying Party's defense of any Third-Party Claim which is the subject of a claim for indemnification by an Indemnified Party hereunder.

(c) Any claim by an Indemnified Party on account of Damages which does not result from a Third-Party Claim (a "Direct Claim") will be asserted by giving the Indemnifying Party written notice thereof. Such notice by the Indemnified Party will describe the Direct Claim in reasonable detail, will include copies of all available material written evidence thereof and will indicate the estimated amount, if reasonably practicable, of Damages that have been or may be sustained by the Indemnified Party. The Indemnifying Party will have a period of thirty (30) days within which to respond in writing to such Direct Claim. If the Indemnifying Party does not so respond within such 30-day period, the Indemnifying Party will be deemed to have rejected such claim, in which event the Indemnified Party will be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

(d) A failure to give timely notice or to include any specified information in any notice as provided in Section 9.4(a), 9.4(b), or 9.4(c), above, will not affect the rights or obligations of any Party hereunder, except and only to the extent that, as a result of such failure, any Party which was entitled to receive such notice was deprived of its right to recover any payment under its applicable insurance coverage or was otherwise materially prejudiced as a result of such failure.

(e) If the Stockholders are the Indemnifying Party under this Section 9.4, then any notice required to be delivered shall be delivered to the Stockholder Representative and the

Stockholder Representative shall have the authority to compromise any such claim on behalf of the Stockholders.

9.5. Limitation of Damages. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any Indemnifying Party be obligated to indemnify the Indemnified Party under this Purchase Agreement for any indirect, special, incidental or consequential damages (including lost profits or loss of goodwill), whether based on contract, tort (including negligence), or any other legal theory, arising out of or related to this Agreement; *provided that*, for the avoidance of doubt, the limitations contained in this Section 9.5 shall not apply to any damages that are paid by the Indemnified Party to a third party pursuant to a Third-Party Claim.

9.6. Escrow Agreement. The Purchaser acknowledges and agrees that in the event it is entitled to indemnification from any Stockholder pursuant to the provisions of this Article IX, it shall recover its Damages from the amount maintained in escrow pursuant to the Escrow Agreement before the Purchaser shall be entitled to recover amounts from any Stockholder, and the Parties hereby covenant and agree to execute and deliver to the Escrow Agent any joint instruction reasonably necessary to cause the Escrow Agent to release the funds from the Escrow Account to pay such Damages.

9.7. Intentionally Deleted.

ARTICLE X TERMINATION

10.1. Termination.

(a) This Agreement may be terminated at any time prior to the Closing:

(i) by the mutual written consent of Purchaser and the Stockholders;

(ii) by Purchaser, upon notice to the Stockholders, if an event occurs which, without any breach by Purchaser of its obligations under this Agreement related to such event, render impossible the compliance with one or more of the conditions to the obligations of Purchaser set forth in Section 8.1 (and such compliance is not waived by Purchaser);

(iii) by the Stockholders, upon notice to Purchaser, if an event occurs which, without any breach by the Company or the Stockholders of their respective obligations under this Agreement related to such event, render impossible the compliance with one or more of the conditions to the obligations of the Stockholders set forth in Section 8.2 (and such compliance is not waived by the Stockholders);

(iv) either:

(1) by Stockholders, upon written notice to Purchaser, if (A) Stockholders and the Company are not then in material default of their respective obligations under this Agreement, (B) Purchaser has materially breached any of its representations, warranties or covenants hereunder, (C) Stockholders deliver to Purchaser a written notice

describing the breach by Purchaser, and (D) Purchaser fails to cure such breach within fifteen (15) days following delivery of that written notice describing the breach; or

(2) by Purchaser, upon written notice to Stockholders, if (A) Purchaser is not then in material default of its obligations under this Agreement, (B) either of the Stockholders or the Company has materially breached any of his, her, or its respective representations, warranties or covenants hereunder, (C) Purchaser delivers to Stockholders a written notice describing the breach, and (D) Stockholders or the Company, as applicable, fail to cure such breach within fifteen (15) days following delivery of that written notice describing the breach.

(v) by Purchaser or the Stockholders if the transactions contemplated hereby have not been consummated on or before the Termination Date.

(b) In the event that this Agreement is terminated pursuant to Section 10.1(a) above, all further obligations of the parties hereto under this Agreement will terminate without further liability or obligation of either Party to the other Party hereunder.

ARTICLE XI MISCELLANEOUS

11.1. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted hereunder shall be in writing and shall be deemed given only if (i) delivered personally, (ii) sent by telecopier, facsimile transmission, or other electronic means of written documents, (iii) sent via Federal Express or other overnight delivery service providing a receipt of delivery, or (iv) sent registered or certified U.S. Mail, postage prepaid, to the addresses set forth at the beginning of this Agreement, or to such other address as the addressee may have specified in a notice duly given to the sender as provided herein. Such notice, request, demand, waiver, consent, approval or other communication will be deemed to have been received by recipient as of the date delivered, or if sent by telecopier or facsimile transmission on the date of confirmation of receipt, or if sent via Federal Express or other overnight delivery service, on the first Business Day after the notice was sent, or if mailed via registered or certified mail, on the third day after said notice was mailed.

11.2. Amendments and Waivers.

(a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by the Purchaser and the Stockholders.

(b) No failure or delay by any Party in exercising any right, power or privilege hereunder will operate as a waiver thereof nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided will be cumulative and not exclusive of any rights or remedies provided by law.

11.3. Expenses. All of the fees and expenses of the Purchaser incident to this Agreement and in connection with the consummation of the transactions contemplated hereby,

including the fees and expenses of any broker, finder, financial advisor, legal advisor or similar person engaged by such Party, shall be paid by Purchaser. All of the fees and expenses of the Stockholders and the Company incident to this Agreement and in connection with the consummation of the transactions contemplated hereby, including the fees and expenses of any broker, finder, financial advisor, legal advisor or similar person engaged by such Party, shall be paid by the Stockholders at or prior to the Closing, provided that Purchaser Agrees to pay the reasonable fees incurred by the Stockholders as a result of Purchaser's counsel drafting a proposed Stock Purchase Agreement relating to this transaction, not to exceed \$2,500.

11.4. Successors and Assigns. The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No Party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other Party hereto; *provided, however*, that Purchaser may assign its rights and obligations under this Agreement to an Affiliate of Purchaser.

11.5. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied will give or be construed to give to any Person, other than the parties hereto and such permitted assigns, any legal or equitable rights hereunder.

11.6. Governing Law. This Agreement will be governed by, interpreted, construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws rules of such state.

11.7. Jurisdiction. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the Chancery Court of the State of Delaware or the Superior Court of Delaware located in New Castle County, Delaware or in the United States District Court for the District of Delaware located in Wilmington, Delaware. Each of the parties hereto hereby consents to the non-exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 11.1, above, will be deemed effective service of process on such party.

11.8. Counterparts. This Agreement may be signed in any number of counterparts, each of which will be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

11.9. Entire Agreement. This Agreement (including the Schedules and Exhibits hereto) constitutes the entire agreement among the parties with respect to the subject matter of this Agreement. This Agreement (including the Schedules and Exhibits hereto) supersedes all prior

agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

11.10. Severability; Injunctive Relief.

(a) The provisions of this Agreement are severable. If any provision of this Agreement is held invalid, illegal or otherwise unenforceable, in whole or in part, the remaining provisions or enforceable parts thereof will not be affected thereby and will be enforced to the fullest extent permitted by law. In addition, should any provision or any portion thereof ever be adjudicated by a court of competent jurisdiction to exceed the time or other limitation permitted by applicable Law as determined by such court in such action, then such provisions will be decreased, or performed to the maximum time or other limitations prescribed by applicable Law, the parties acknowledging their desire that in such event such action be taken.

(b) The parties acknowledge and agree that the provisions of Section 6.6, above, are reasonably necessary to protect the legitimate interests of Purchaser, its Affiliates and their businesses and that any breach or threatened breach of Section 6.6 will result in irreparable injury to Purchaser, and its Affiliates, the exact amount of which will be difficult to ascertain and the remedies at Law for which will not be reasonable or adequate compensation to Purchaser and its Affiliates for such a violation. Accordingly, the Stockholders agree that if any of the Stockholders violates or threatens to violate any of the provisions of Section 6.6, in addition to any other remedy available at law or in equity, Purchaser will be entitled to seek specific performance or injunctive relief without posting a bond or other security therefor, and without the necessity of proving actual damages.

11.11. No Waiver. No action or inaction taken or omitted pursuant to this Agreement will be deemed to constitute a waiver of compliance with any representations, warranties or covenants contained in this Agreement and will not operate or be construed as a waiver of any subsequent breach, whether of a similar or dissimilar nature.

11.12. Certain Interpretive Matters.

(a) Unless the context otherwise requires, (i) all references to Sections, Articles, Schedules or Exhibits are to Sections, Articles, Schedules or Exhibits of or to this Agreement, (ii) each of the Schedules will apply only to the corresponding Section or Subsection of this Agreement, except that an item set forth on a Schedule may be deemed to be disclosed on another Schedule if the disclosure relating to such item is on its face expressly responsive to the representation and warranty to which such Schedule relates, it being understood that the foregoing exception will not be deemed to include any facts or circumstances derived from, or not otherwise expressly set forth in the disclosure with respect to such Scheduled item, (iii) each term defined in this Agreement has the meaning assigned to it, (iv) each accounting term not otherwise defined in this Agreement has the meaning assigned to it in accordance with GAAP, and (v) words in the singular include the plural and vice versa.

(b) No provision of this Agreement will be interpreted in favor of, or against, any of the parties hereto by reason of the extent to which any such Party or its counsel

participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.

(c) All references to the "Knowledge of the Company," "knowledge of the Stockholders," or to words of similar import will be deemed to be references to the actual knowledge of any of the Stockholders, or one or more officers or directors of the Company, which knowledge will include such knowledge as the Stockholders, officers or directors would have had after due inquiry, including due inquiry of the Company's counsel and accountants. All references to the "knowledge of Purchaser" or to words of similar import will be deemed to be references to the actual knowledge of Purchaser after due inquiry, which knowledge will include such knowledge as such Purchaser would have had after due inquiry of the Purchaser's counsel and accountants.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement as of the date first written above.

THE STOCKHOLDERS:

Michelle Cutlip

Michael E. Pfau

Michael E. Pfau, Trustee of the Melissa
Marsch-Baker Trust u/d/t dated June 24,
1998

TRI-M COMMUNICATIONS, INC. d/b/a
TMC COMMUNICATIONS

By:

Michael E. Pfau
Michael E. Pfau, Secretary

PURCHASER:

5LIX ENTERPRISES, INC.

By:

Craig Jerabeck
Craig Jerabeck, President and
Chief Executive Officer

For purposes of Section 2.3 hereof:

Michael E. Pfau

Michael E. Pfau, Individually

For purposes of Section 6.3 hereof:

M. Marsch-Baker

Melissa Marsch-Baker, individually

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement as of the date first written above.

THE STOCKHOLDERS:


Michelle Cutlip

Michael E. Pfau, Trustee of the Melissa
Marsch-Baker Trust u/d/t dated June 24,
1998

TRI-M COMMUNICATIONS, INC. d/b/a
TMC COMMUNICATIONS

By:

Michael E. Pfau, Secretary

PURCHASER:

SLINX ENTERPRISES, INC.

By:

Craig Jerabeck, President and
Chief Executive Officer

For purposes of Section 2.3 hereof:

Michael E. Pfau, Individually

For purposes of Section 6.3 hereof:

Melissa Marsch-Baker, individually

EXHIBIT B

TRI-M Communications, Inc. d/b/a TMC Communications

5LINX Enterprises, Inc.

Transfer of Control

Pre-Transaction Flow Chart

Tri-M Communications Inc.
d/b/a TMC Communications

5LINX Enterprises, Inc.

EXHIBIT C

TRI-M Communications, Inc. d/b/a TMC Communications

and

5LINX Enterprises, Inc.

Transfer of Control

Post-Transaction Flow Chart

