

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-QSB

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2000  
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Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 0-27282

ATLANTIC TECHNOLOGY VENTURES, INC.  
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(Exact name of small business issuer as specified in its charter)

Delaware 36-3898269  
-----  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

150 Broadway, Suite 1110, New York, New York 10038  
-----

(Address of principal executive offices)

(212) 267-2503  
-----

(Issuer's telephone number)

150 Broadway, Suite 1009, New York, New York 10038  
-----

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Number of shares of common stock outstanding as of June 30, 2000:

Transitional Small Business Disclosure Format (check one): Yes No

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PART I -- OTHER INFORMATION

Item 1. Financial Statements

ATLANTIC TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES  
(A Development Stage Company)

Consolidated Balance Sheets

Assets	June 30, 2000  (Unaudited)	December 31, 1999
Current assets:		
Cash and cash equivalents	\$ 1,605,801 (8,9)	3,473,321
Accounts receivable	821,847	337,323
Prepaid expenses	37,599	17,414
Total current assets	2,465,247	3,828,058
Property and equipment, net	122,282	131,832
Investment in affiliate	86,277	--
Other assets	2,901	--
Total assets	\$ 2,676,707	3,959,890
Liabilities and Stockholders' Equity		
Current liabilities - accounts payable and accrued expenses	\$ 542,482	542,759
Stockholders' equity:		
Preferred stock, \$.001 par value. Authorized 10,000,000 shares; 1,375,000 shares designated as Series A convertible preferred stock	--	--
Series A convertible preferred stock, \$.001 par value. Authorized 1,375,000 shares; 376,703 and 610,088 shares issued and outstanding at June 30, 2000 and December 31, 1999, respectively (liquidation preference aggregating \$4,897,139 and \$7,931,144 at June 30, 2000 and December 31, 1999, respectively)	377	610
Convertible preferred stock warrants, 112,896 and 117,195 issued and outstanding at June 30, 2000 and December 31, 1999, respectively	520,263	540,074
Common stock, \$.001 par value. Authorized 50,000,000 shares; 5,964,103 and 4,815,990 shares issued and outstanding at June 30, 2000 and December 31, 1999, respectively	5,964	4,816
Common stock subscribed. 182 shares at June 30, 2000 and December 31, 1999	--	--
Additional paid-in capital	24,863,862	21,662,272
Deficit accumulated during development stage	(23,255,699)	(18,790,099)
	2,134,767	3,417,673
Less common stock subscriptions receivable	(218)	(218)
Less treasury stock, at cost	(324)	(324)
Total stockholders' equity	2,134,225	3,417,131
Total liabilities and stockholders' equity	\$ 2,676,707	3,959,890

See accompanying notes to consolidated financial statements.

ATLANTIC TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES  
(A Development Stage Company)

Consolidated Statements of Operations  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,		Cumulative period from July 13, 1993 (inception) to June 30,
	2000	1999	2000	1999	2000
<b>Revenues:</b>					
Development revenue	\$ 1,434,634	\$ --	\$ 2,347,115	\$ --	3,429,625
License revenue	--	--	--	--	2,500,000
Grant revenue	--	--	13,009	--	190,010
<b>Total revenues</b>	<b>1,434,634</b>	<b>--</b>	<b>2,360,124</b>	<b>--</b>	<b>6,119,635</b>
<b>Costs and expenses:</b>					
Cost of development revenue	1,147,707	--	1,877,692	--	2,743,700
Research and development	212,914	365,139	322,353	925,478	8,696,918
Acquired in-process research and development	2,390,023 (8)	--	2,390,023	--	2,390,023
General and administrative	781,785 (9)	337,938	2,286,283 (7)	708,788	15,954,711
License fees	--	--	--	--	173,500
<b>Total operating expenses</b>	<b>4,532,429</b>	<b>703,077</b>	<b>6,876,351</b>	<b>1,634,266</b>	<b>29,958,852</b>
<b>Operating loss</b>	<b>(3,097,795)</b>	<b>(703,077)</b>	<b>(4,516,227)</b>	<b>(1,634,266)</b>	<b>(23,839,217)</b>
<b>Other (income) expense:</b>					
Interest and other income	(34,137)	(58,302)	(74,327)	(122,523)	(1,232,793)
Interest expense	--	--	--	--	625,575
Equity in (earnings)/loss of affiliate	23,700	--	23,700	--	23,700
<b>Total other (income) expense</b>	<b>(10,437)</b>	<b>(58,302)</b>	<b>(50,627)</b>	<b>(122,523)</b>	<b>(583,518)</b>
<b>Net loss</b>	<b>\$ (3,087,358)</b>	<b>\$ (644,775)</b>	<b>\$ (4,465,600)</b>	<b>\$ (1,511,743)</b>	<b>(23,255,699)</b>
<b>Imputed convertible preferred stock dividend</b>					
	--	--	--	--	5,331,555
<b>Preferred stock dividend issued in preferred shares</b>					
	--	--	659,319	--	973,685
<b>Net loss applicable to common shares</b>	<b>\$ (3,087,358)</b>	<b>(644,775)</b>	<b>(5,124,919)</b>	<b>(1,511,743)</b>	<b>(29,560,939)</b>
<b>Net loss per common share - basic and diluted</b>					
	<b>\$ (0.56)</b>	<b>(0.14)</b>	<b>(0.98)</b>	<b>(0.37)</b>	
<b>Shares used in calculation of net loss per common share - basic and diluted</b>					
	<b>5,503,803</b>	<b>4,699,454</b>	<b>5,236,680</b>	<b>4,080,398</b>	

See accompanying notes to consolidated financial statements.

ATLANTIC TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES  
(A Development Stage Company)  
Consolidated Statements of Cash Flows  
(Unaudited)

	Six months ended June 30,		Cumulative period from July 13, 1993 (inception) to June 30, 2000
	2000	1999	2000
Cash flows from operating activities:			
Net loss	\$ (4,465,600)	(1,511,743)	(23,255,699)
Adjustments to reconcile net loss to net cash used in operating activities:			
Acquired in-process research and development	1,800,000	(8)	1,800,000
Expense relating to issuance of warrants	--	--	298,202
Expense relating to the issuance of options	--	--	81,952
Expense related to Channel merger	--	--	657,900
Change in equity of affiliate	23,700	--	23,700
Compensation expense relating to stock options and warrants	1,061,654	(7)	1,270,436
Discount on notes payable - bridge financing	--	--	300,000
Depreciation	32,729	60,550	463,139
Loss on disposal of furniture and equipment	--	--	73,387
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(484,524)	(558)	(821,847)
(Increase) decrease in prepaid expenses	(20,185)	20,475	(37,599)
Increase (decrease) in accrued expenses	(277)	(277,488)	542,482
Increase (decrease) in accrued interest	--	--	172,305
(Increase) decrease in other assets	(2,901)	--	(2,901)
	(2,055,404)	(1,708,764)	(18,434,543)
Net cash used in operating activities			
Cash flows from investing activities:			
Purchase of furniture and equipment	(23,179)	(8)	(4,696)
Acquisition of investment	(109,977)	--	(109,977)
Proceeds from sale of furniture and equipment	--	--	6,100
	(133,156)	(4,696)	(768,786)
Net cash used in investing activities			
Cash flows from financing activities:			
Proceeds from exercise of warrants	--	--	5,500
Proceeds from exercise of stock options	321,040	--	373,540
Proceeds from issuance of demand notes payable	--	--	2,395,000
Repayment of demand notes payable	--	--	(125,000)
Proceeds from the issuance of notes payable - bridge financing	--	--	1,200,000
Proceeds from issuance of warrants	--	--	300,000
Repayment of notes payable - bridge financing	--	--	(1,500,000)
Repurchase of common stock	--	--	(324)
Preferred stock dividend paid	--	--	(318)
Proceeds from the issuance of common stock	--	--	7,547,548
Proceeds from issuance of convertible preferred stock	--	--	10,613,184
	321,040	--	20,809,130
Net cash provided by financing activities			
Net decrease in cash and cash equivalents	(1,867,520)	(1,713,460)	1,605,801
Cash and cash equivalents at beginning of period	3,473,321	5,835,669	--
Cash and cash equivalents at end of period	\$ 1,605,801	4,122,209	1,605,801
Supplemental disclosure of noncash financing activities:			
Issuance of common stock in exchange for common stock subscriptions	\$ --	--	7,027
Conversion of demand notes payable and the related accrued interest to common stock	--	--	2,442,304
Cashless exercise of preferred warrants	19,811	--	49,880
Conversion of preferred to common stock	289	140	1,704
Preferred stock dividend issued in shares	659,324	--	973,690
	=====	=====	=====

See accompanying notes to consolidated financial statements.

(1) BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with Generally Accepted Accounting Principles for interim financial information. Accordingly, the statements do not include all information and footnotes required by Generally Accepted Accounting Principles for complete financial statements. In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of only normal recurring adjustments, considered necessary for fair presentation. Interim operating results are not necessarily indicative of results that may be expected for the year ending December 31, 2000 or for any subsequent period. These financial statements should be read in conjunction with Atlantic Technology Ventures, Inc., and Subsidiaries' (the "Company") Annual Report on Form 10-KSB as of and for the year ended December 31, 1999.

(2) LIQUIDITY

The Company anticipates that their current resources, together with proceeds from an agreement between the Company and Bausch & Lomb Surgical, will be sufficient to finance their currently anticipated needs for operating and capital expenditures for at least the next 9 months. In addition, the Company will attempt to generate additional capital through a combination of collaborative agreements, strategic alliances, and equity and debt financing. However, the Company can give no assurance that it will be able to obtain additional capital through these sources or upon terms acceptable to them.

(3) COMPUTATION OF NET LOSS PER COMMON SHARE

Basic net loss per common share is calculated by dividing net loss applicable to common shares by the weighted average number of common shares outstanding for the period. Diluted net loss per common share is the same as basic net loss per common share, as common equivalent shares from stock options, stock warrants, stock subscriptions and convertible preferred stock would have an antidilutive effect because the Company incurred a net loss during each period presented.

(4) RECENTLY ISSUED ACCOUNTING STANDARDS

In December 1999, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. SAB No. 101 summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements, including the recognition of non-refundable fees received upon entering into arrangements. SAB No. 101, as amended, must be adopted no later than the fourth quarter of fiscal years beginning after December 15, 1999 with an effective date of January 1, 2000 and the recognition of a cumulative effect adjustment calculated as of January 1, 2000. The Company is in the process of evaluating this SAB and the effect it will have on its consolidated financial statements and current revenue recognition policy.

(5) EMPLOYMENT AGREEMENTS

The Company entered into employment agreements with four executives during April and May, 2000. These agreements provide for the payment of signing and year end bonuses in 2000 totaling \$225,000, and annual base salaries aggregating \$550,000. Each agreement has an initial term of three years and can be terminated by the Company, subject to certain provisions, with the payment of severance amounts that range from three to six months.

(6) PREFERRED STOCK DIVIDEND

On February 15, 2000, the Company's board of directors declared a payment-in-kind dividend of 0.065 of a share of Series A convertible preferred stock per share of Series A convertible preferred stock to the holders of shares of Series A convertible preferred stock as of the record date of February 2, 2000. The estimated fair value of

this dividend of \$659,319 was included in the Company's calculation of net loss per common share for the six months ended June 30, 2000.

On August 7, 2000, the Company's board of directors declared a payment-in-kind dividend of 0.065 of a share of Series A convertible preferred stock per share of Series A convertible preferred stock to the holders of shares of Series A convertible preferred stock as of the record date of August 7, 2000.

During the 3 months ended June 30, 2000, 4,299 Series A convertible preferred stock warrants were exercised in cashless transactions for 9,453 shares of the Company's Common Stock.

(7) ISSUANCE OF STOCK WARRANTS

As more fully described in Note 8 to the Company's Annual Report on Form 10-KSB as of and for the year ended December 31, 1999, on January 4, 2000, the Company entered into a Financial Advisory and Consulting Agreement with Joseph Stevens & Company, Inc. pursuant to which the Company issued to Joseph Stevens & Company, Inc. three warrants to purchase an aggregate of 450,000 shares of its common stock. In accordance with EITF Issue No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services and other relative accounting literature, the Company is required to measure the expense associated with these warrants at each reporting date and recognize the appropriate portion of the expense at the end of each reporting period until the measurement date is reached (December 4, 2000 in this transaction). As a result, the Company recorded a general and administrative expense of \$990,820 in the first quarter of 2000 and \$70,834 in the second quarter of 2000 based on the estimated value of the vested warrants as of March 31, 2000 and June 30, 2000, respectively.

(8) INVESTMENT IN PREFERRED STOCK

On May 12, 2000, the Company entered into an agreement to acquire preferred stock representing a 35% ownership interest in TeraComm Research, Inc., a privately-held company that is developing next-generation high-speed fiberoptic communications technologies. The purchase price for this ownership interest was \$5 million in cash, 200,000 shares of the Company's common stock, and a warrant to purchase a further 200,000 shares of the Company's common stock, the stock and the warrant being valued at \$1.8 million. The warrant has a term of three years and is exercisable at \$8.975 per share of common stock, but only if the market price of the Company's common stock is \$30 or more.

Of the \$5 million cash portion of the purchase price, the Company had as of June 30, 2000, paid \$700,000, and in early July the Company paid a further \$300,000. A further \$1 million is payable when TeraComm achieves an agreed technical milestone and the remainder thereafter payable in three quarterly installments of \$1 million. If upon TeraComm achieving the technical milestone or if by December 30, 2000 (even if TeraComm does not achieve the technical milestone) the Company elects not to pay the next installment of the cash portion of the purchase price, the Company would forfeit the right to pay any further installments on the cash purchase price and the Company's ownership interest in the TeraComm would be reduced to reflect the proportion of the total purchase price that the Company had actually paid.

The Company has expensed as acquired in-process research and development approximately \$2.37 million of the stock and warrant issued to TeraComm and the initial \$700,000 paid towards the cash purchase price, as TeraComm's product development activity is in the very early stages. The majority of the \$300,000 subsequently paid towards the cash purchase price and the majority of any further such payments will likely represent additional acquired in-process research and development.

(9) GENERAL AND ADMINISTRATIVE EXPENSES

The increase in general and administrative expenses for the quarter ended June 30, 2000 is largely due to the \$70,834 of expense associated with warrants issued to Joseph Stevens & Company, costs of approximately \$159,000 incurred in hiring and relocating executives, and an increase in fees for professional services of approximately \$90,000 attributable to legal services performed in connection with the Company's investment in TeraComm.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our results of operations and financial condition in conjunction with our Annual Report on Form 10-KSB for the year ended December 31, 1999.

RESULTS OF OPERATIONS

THREE MONTH PERIOD ENDED JUNE 30, 2000 VS. 1999

In accordance with a license and development agreement, as amended, Bausch & Lomb Surgical reimburses our subsidiary, Optex Ophthalmologics, Inc., for costs Optex incurs in developing its Catarex(TM) technology, plus a profit component. In the second quarter of 2000, this agreement provided \$1,434,634 of development revenue, and the related cost of development revenue was \$1,147,707. For the quarter ended June 30, 1999, no revenue or cost of development revenue was recognized as all reimbursements from Bausch & Lomb prior to the September 1999 amendment were accounted for as reductions of research and development expense and general and administrative expenses.

For the quarter ended June 30, 2000, research and development expense was \$212,914 as compared to \$365,139 net of Bausch and Lomb reimbursements of \$369,332 in the second quarter of 1999, a decrease of 42%. This decrease is due to reduced expenditures on certain development projects.

As of June 30, 2000, we have made an investment of \$700,000 cash and commonstock and warrants valued at \$1.8 million. For the quarter ended June 30, 2000, we have expensed approximately \$2.39 million of this payment asacquired in-process research and development as Teracomm's product development activity is in the very early stages.

For the quarter ended June 30, 2000, general and administrative expense was \$781,785 as compared to \$337,938 net of Bausch and Lomb reimbursements of \$12,240 in the second quarter of 1999. This increase is largely due to the \$70,834 of expense associated with warrants issued to Joseph Stevens & Company, costs of approximately \$159,000 incurred in hiring and relocating executives, and an increase in fees for professional services of approximately \$90,000 attributable to the due diligence and closing of the TeraComm investment.

For the second quarter of 2000, interest income was \$34,137 compared to \$58,302 in the second quarter of 1999, a decrease of 42%. This decrease is due to the decline in our cash reserves.

SIX MONTH PERIOD ENDED JUNE 30, 2000 VS. 1999

In accordance with a license and development agreement, as amended, Bausch & Lomb Surgical reimburses our subsidiary, Optex Ophthalmologics, Inc., for costs Optex incurs in developing its Catarex(TM) technology, plus a profit component. In the six month period ended June 30, 2000, this agreement provided \$2,347,115 of development revenue, and the related cost of development revenue was \$1,877,692. For the six month period ended June 30, 1999, no revenue or cost of development revenue was recognized as all reimbursements from Bausch & Lomb prior to the September 1999 amendment were accounted for as reductions of research and development expense and general and administrative expenses.

For the six month period ended June 30, 2000, research and development expense was \$322,353 as compared to \$925,478 net of Bausch and Lomb reimbursements of \$878,199 in the six month period ended June 30, 1999, a decrease of 65%. This decrease is due to reduced expenditures on certain development projects.

As of June 30, 2000, we have made an investment of \$700,000 cash and common stock and warrants valued at \$1.8 million. For the six month period ended June 30, 2000, we have expensed approximately \$2.39 million of this payment as acquired in-process research and development as Teracomm's product development activity is in the very early stages.

For the six month period ended June 30, 2000, general and administrative expense was \$2,286,283 as compared to \$708,788 net of Bausch and Lomb reimbursements of \$43,720 in the six month period ended June 30, 1999. This increase is largely due to the \$1,061,654 of expense associated with warrants issued to Joseph Stevens & Company, costs of approximately \$159,000 incurred in hiring and relocating executives, and an increase in fees for professional services of approximately \$287,000 attributable to the due diligence and closing of the TeraComm investment.

For the six month period ended June 30, 2000, interest income was \$74,327 compared to \$122,523 in the six month period ended June 30, 1999, a decrease of 39%. This decrease is due to the decline in our cash reserves.



## LIQUIDITY AND CAPITAL RESOURCES

From inception to June 30, 2000, we incurred an accumulated deficit of \$23,255,699, and we expect to continue to incur additional losses through the year ending December 31, 2000 and for the foreseeable future.

Our available working capital and capital requirements will depend upon numerous factors, including progress of our research and development programs; our progress in and the cost of ongoing and planned preclinical and clinical testing; the timing and cost of obtaining regulatory approvals; the cost of filing, prosecuting, defending, and enforcing patent claims and other intellectual property rights; competing technological and market developments; changes in our existing collaborative and licensing relationships; the resources that we devote to the developing manufacturing and commercializing capabilities; technological advances; status of competitors; our ability to establish collaborative arrangements with other organizations; and our need to purchase additional capital equipment.

We anticipate that our current resources, together with proceeds from the Bausch & Lomb agreement, will be sufficient to finance our currently anticipated needs for operating and capital expenditures for at least the next nine months. In addition, we will attempt to generate additional capital through a combination of collaborative agreements, strategic alliances and equity and debt financing. However, we can give no assurance that we will be able to obtain additional capital through these sources or upon terms acceptable to us. At June 30, 2000, we had \$1,605,801 in cash and cash equivalents and working capital of \$1,922,765.

On May 12, 2000, we entered into an agreement to acquire preferred stock representing a 35% ownership interest in TeraComm Research, Inc., a privately-held company that is developing next-generation high-speed fiberoptic communications technologies. The purchase price for this ownership interest was \$5 million in cash, 200,000 shares of our common stock, and a warrant to purchase a further 200,000 shares of our common stock. The warrants have a term of three years and is exercisable at \$8.975 per share of common stock, but only if the market price of our common stock is \$30 or more.

Of the \$5 million cash portion of the purchase price, we have paid \$1,000,000, with a further \$1 million payable when TeraComm achieves an agreed technical milestone and the remainder thereafter payable in three quarterly installments of \$1 million. If upon TeraComm achieving the technical milestone or if by December 31, 2000 (even if TeraComm does not achieve the technical milestone) we elect not to pay the next installment of the cash portion of the purchase price, we would forfeit the right to pay any further installments on the cash purchase price and our ownership interest in the TeraComm would be reduced to reflect the proportion of the total purchase price that we had actually paid.

We do not currently have the full amount of the cash purchase price. If the market price of our common stock permits it, we intend to redeem our redeemable warrants, which would encourage the holders to exercise the warrants, thereby providing us with capital that we could apply towards the cash purchase price. Alternatively, we could raise the necessary amount through debt or equity financing, or a combination of both. It is, however, possible that we will not be able to raise the required amount.

## RECENTLY ISSUED ACCOUNTING STANDARDS

In December 1999, the staff of the Commission issued Staff Accounting Bulletin or SAB No. 101, Revenue Recognition in Financial Statements. SAB No.101 summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements, including the recognition of non-refundable fees received upon entering into arrangements. This SAB, as amended, must be adopted no later than the fourth quarter of fiscal years beginning after December 15, 1999 with an effective date of January 1, 2000 and the recognition of a cumulative effect adjustment calculated as of January 1, 2000. We are in the process of evaluating this SAB and the effect it will have on our consolidated financial statements and current revenue recognition policy.

## RESEARCH AND DEVELOPMENT ACTIVITIES

Preclinical and clinical studies involving our primary technologies are proceeding according to plan.

Optex's development of the Catarex device is continuing in cooperation with Bausch & Lomb. Bausch & Lomb is preparing to file a 510(k) with the U.S. Food and Drug Administration, or the "FDA," for the Catarex device. In a 510(k) filing, a company requests that the FDA treat a given technology as substantially equivalent to an already approved technology, the aim being to speed up the approval process. We anticipate that in the fourth quarter of 2000 Bausch & Lomb will meet with the FDA to discuss this filing.

On July 14, 2000, we entered into a one-year option to exclusively license a patented polymer gel technology in the field of ophthalmology from the Massachusetts Institute of Technology. We intend to use the technology to develop an injectable lens substitute that would be used, in an integrated product package, with the Catarex device in both cataract and refractive surgery. Current methods of cataract surgery are not compatible with the use of injectable gel lens substitutes because they functionally destroy the integrity of the lens capsule, thereby rendering it impossible to refill the capsule. We believe that since cataract removal using the Catarex device leaves the entire capsule essentially intact except for a tiny peripheral hole in the lens capsule, it is the only technology that allows for the possibility of replacing the lens with an injectable, gel-like substance instead of a rigid intra-ocular, fixed focus lens implant. We believe that a soft and pliable lens would more closely mimic the eye's natural function, expanding and contracting quickly to accommodate the different focal lengths needed for near and far vision. A flexible lens substitute could be implanted into any adult and be used to correct not only their distance refractive error, but also potentially eliminate the need for reading glasses and bifocals, which everyone needs as they age and their natural lenses start to lose their flexibility. Use in refractive surgery of our Catarex lens removal device combined with an injectable lens substitute that we develop would create an entirely new market for our products.

### CT-3

We are continuing to develop CT-3, a patented synthetic derivative of tetrahydrocannabinol (THC), the active ingredient in marijuana, as an alternative to nonsteroidal anti-inflammatory drugs (NSAIDs). In May 2000, the FDA approved an Investigational New Drug application, or "IND," to begin clinical trials for CT-3 in the U.S. Additional toxicology testing and formulation development will be necessary before we can begin large-scale clinical trials. In addition, we began the first clinical trial in Europe during July of 2000. We believe it is important that we conduct Phase I studies to determine CT-3's potential for detrimental central nervous system effects. The first trial will specifically address CT-3's potential to produce central nervous system effects resembling those of THC.

### Gemini

Our subsidiary Gemini Technologies, Inc. is continuing its research on antisense enhancing technology. On August 14, 2000, Gemini was awarded a Small Business Innovation Research (SBIR) phase II grant by the National Institute for Allergy and Infectious Diseases (NIAID), a unit of the National Institutes of Health (NIH). The grant, which totals approximately \$750,000, will be used to fund a pre-clinical efficacy study using aerosolized 2-5A antisense compound for the inhibition of respiratory syncytial virus (RSV) in monkeys. It also will provide money for the toxicological and pharmacological studies needed to file an investigational new drug (IND) application with the FDA to begin clinical studies in humans.

This research is intended to build upon previous published research reported in the Proceedings of the National Academy of Sciences (PNAS) Vol. 95, July 1998, that documented the compound's effectiveness against a broad spectrum of RSV strains. Data collected to date indicate that the molecule to be tested has 130 times greater in vitro potency than Ribavirin (Virazole), one of two FDA-approved treatments for RSV infections (the other treatment is a monoclonal antibody recommended for use in high-risk infants only). This molecule has also been shown to be stable against degradative enzymes, and is capable of being absorbed into lung tissue when administered in a droplet formulation.

The primate study will be conducted at the Tulane Regional Primate Research Center in Covington, Louisiana. Vicki Traina-Dorge, Ph.D., will overview the animal study. Hagen Cramer, Ph.D., of Gemini will design the study and develop the aerosolization method. He will also act as Principle Investigator of the grant. All of the analyses will be conducted at the Gemini research facility in Cleveland. Other team members of Gemini

include Jim Okicki, chemical research associate, Frank Longano, biology research associate, Lateef Saffore, biology research associate, Robert Silverman, Ph.D., consultant, and Doug Leaman, Ph.D. consultant.

By focusing the 2-5A antisense program on primate-oriented RSV, we will be able to more effectively pursue corporate partnerships to develop an RSV therapeutic treatment as a lead product candidate for our 2-5A antisense technology. After we enter into such a partnership, we plan to expand our research and development of 2-5A antisense technology into additional areas of potential clinical use. These additional areas include other infectious diseases (herpes, human immunodeficiency virus), certain cancers (chronic myelogenous leukemia, glioblastoma), conditions modulated by 5-alpha reductase and dihydrotestosterone receptors (acne and androgenic alopecia), and aspects of the interferon pathway that are mediated by PKR (a protein kinase enzyme), all of which have shown promising in vitro studies to date.

#### TeraComm

On May 12, 2000, we acquired a 35% ownership interest in TeraComm Research, Inc. (See Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources.) TeraComm is developing a fiberoptic transmitter that uses a high-temperature superconductor (HTS) material to switch a laser beam on and off with a high-speed electronic digital signal. HTS materials have zero electrical resistance at low temperatures (< 70 K), and also can have very high optical reflectance in their superconducting state while they can transmit light in their normal (non-superconducting) state. TeraComm discovered that a small electric current in an HTS material could switch the material between states, and do so very quickly--in less than a millionth millionth of a second. Because the HTS optical switch works best at far infrared wavelengths and these optical waves are too large to send through an optical fiber, the TeraComm invention employs an optical wavelength converter to change the waves to the band that is just right for the fiber.

Thus far, TeraComm has successfully developed methods of producing effective HTS thin-films with metal electrodes, has successfully demonstrated control of optical transmission in HTS films using electric current, and has been awarded patents covering implementation of this technology for fiberoptic telecommunications. To date, we have provided TeraComm with approximately \$1 million of development funds. Our investment is enabling TeraComm to accelerate its development program. TeraComm is currently focusing on successfully completing a definitive proof-of-principle test during 2000 and delivering prototypes to the market in 2001.

On May 23, 2000, we announced that we had appointed Walter L. Glomb, Jr., as Vice President. Mr. Glomb is responsible for supporting our investment in TeraComm and identifying complimentary electronic infrastructure and communication technologies for us to develop. Mr. Glomb is based in our new office in Vernon, Connecticut, in the center of major cluster of photonics companies that stretches from Boston to New Jersey. Atlantic's new strategy focuses on our developing strategic partnerships with early-stage companies, and we feel that this region promises to be a rich source of such partnerships.

PART II -- OTHER INFORMATION

Item 1. Legal Matters

Litigation Brought by Christopher R. Richied

On May 13, 1999, Christopher R. Richied filed suit against a group of defendants, including Atlantic, in the U.S. District Court for the Southern District of New York. This lawsuit is described in our Quarterly Reports on Form 10-QSB for the quarterly periods ended June 30, 1999 and September 30, 1999. This case was settled by the parties on August 8, 2000. The defendants have agreed that Atlantic is not required to contribute to any settlement payment and will not be responsible for any costs incurred in defending this litigation.

Arbitration Brought by the Cleveland Clinic Foundation

Our subsidiary Gemini has an exclusive worldwide sublicense from the Cleveland Clinic Foundation to a U.S. patent and related patent applications, as well as corresponding foreign applications, relating to 2-5A chimeric antisense technology and its use for selective degradation of targeted RNA. On May 8, 2000, the Cleveland Clinic Foundation filed a claim for arbitration before the American Arbitration Association to terminate this sublicense, claiming that we have breached the sublicense. We believe that the asserted claims are without merit and we intend to vigorously defend this action.

Item 5. Other Information

As of July 18, 2000, Atlantic and TeraComm Research, Inc. amended the Preferred Stock Purchase Agreement dated May 12, 2000, pursuant to which we purchased 1,400 shares of TeraComm preferred stock representing a 35% ownership interest in TeraComm.

In this amendment, the parties agreed that the \$4 million balance of the \$5 million cash component of the purchase price, including the \$1 million payments due on August 12, 2000 and November 12, 2000, would not be due until TeraComm achieves a certain milestone. Within ten days after TeraComm achieves that milestone, we must pay TeraComm \$1 million and must thereafter make to TeraComm three payments of \$1 million at three-month intervals. If we fail to make any of these payments, TeraComm's only recourse remains reducing proportionately our ownership interest. Our failure to make the first \$1 million payment by midnight at the end of December 30, 2000 (whether or not TeraComm has reached the milestone) will at the option of TeraComm be deemed to constitute failure by us to timely make that payment.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No. Description

- 10.1 Preferred Stock Purchase Agreement dated May 12, 2000, between Atlantic and TeraComm Research, Inc. (filed herewith).
- 10.2 Amendment to Preferred Stock Purchase Agreement dated May 12, 2000, between Atlantic and TeraComm Research, Inc. (filed herewith).
- 10.3 Warrant Certificate issued May 12, 2000, by Atlantic to TeraComm Research, Inc. (filed herewith).
- 10.4 Stockholders Agreement dated May 12, 2000, between TeraComm Research, Inc., the common stockholders of TeraComm, and Atlantic (filed herewith).
- 10.5 Registration Rights Agreement dated May 12, 2000, between Atlantic and TeraComm Research, Inc. with respect to shares of TeraComm preferred stock issued to Atlantic (filed herewith).
- 10.6 Registration Rights Agreement dated May 12, 2000, between Atlantic and TeraComm Research, Inc. with respect to shares of Atlantic common stock issued to TeraComm (filed herewith).
- 10.7 Employment Agreement dated as of April 10, 2000, between Atlantic and A. Joseph Rudick (filed herewith).
- 10.8 Employment Agreement dated as of April 3, 2000, between Atlantic and Frederic P. Zotos (filed herewith).
- 10.9 Employment Agreement dated as of April 10, 2000, between Atlantic and Nicholas J. Rossettos, (filed herewith).
- 10.10 Employment Agreement dated as of May 15, 2000, between Atlantic and Walter Glomb (filed herewith).
- 10.11 Employment Agreement dated as of April 18, 2000, between Atlantic and Kelly Harris (filed herewith).

(b) Form 8-K

On May 26, 2000, Atlantic filed with the SEC a report on Form 8-K describing its acquisition of 1,400 shares of Series A preferred stock of TeraComm Research, Inc., a privately-held Delaware company that is currently developing next-generation high-speed fiberoptic telecommunications technologies.

SIGNATURES

In accordance with the requirements of the Exchange Act, Atlantic caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATLANTIC TECHNOLOGY VENTURES, INC.

Date: August 21, 2000

/s/ Frederic P. Zotos, Esq.  
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Frederic P. Zotos, Esq.  
President

Date: August 21, 2000

/s/ Nicholas J. Rossettos  
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Nicholas J. Rossettos  
Chief Financial Officer

## PREFERRED STOCK PURCHASE AGREEMENT

This preferred stock purchase agreement is dated May 12, 2000, and is between TERACOMM RESEARCH, INC., a Delaware corporation ("TeraComm"), and ATLANTIC TECHNOLOGY VENTURES, INC., a Delaware corporation ("Atlantic").

Atlantic wishes to purchase from TeraComm, and TeraComm wishes to issue to Atlantic, shares of TeraComm's Series A preferred stock, par value \$.001 per share (the "TeraComm Preferred Stock").

TeraComm and Atlantic therefore agree as follows:

ARTICLE 1  
AUTHORIZATION AND SALE OF SHARES

1.1 Authorization. TeraComm has duly authorized the sale and issuance of 1,400 shares of TeraComm Preferred Stock. The TeraComm Preferred Stock has the rights, restrictions, privileges, and preferences set forth in the Restated Certificate of Incorporation of TeraComm attached hereto as Exhibit A (the "Restated Certificate of Incorporation"). TeraComm has adopted and filed the Restated Certificate of Incorporation with the Secretary of State of the State of Delaware.

1.2 Sale of Shares. Subject to the terms of this agreement, TeraComm hereby issues to Atlantic, and Atlantic hereby purchases from TeraComm, 1,400 shares of TeraComm Preferred Stock (the "Shares") for a purchase price (the "Purchase Price") consisting of the following:

- (1) \$5,000,000 in cash, \$250,000 of which Atlantic has already paid to TeraComm, and the remaining \$4,750,000 of which Atlantic shall pay to TeraComm in immediately available funds in the amounts and on the dates stated in Schedule 1.2(a) (each installment of the remaining \$4,750,000, a "Subsequent Payment");
- (2) 200,000 shares of Atlantic common stock (the "Purchase Price Shares"); and
- (3) a warrant for the purchase of a further 200,000 shares of Atlantic common stock (the "Purchase Price Warrant").

(b) If Atlantic fails to timely make any Subsequent Payment, it may not make any further Subsequent Payments and it will be deemed to have surrendered to TeraComm a proportion of the Shares (with any fractional share rounded up) equal to the proportion of the dollar value of the Purchase Price that is represented by the missed Subsequent Payment and all other unpaid Subsequent Payments. This surrender will be TeraComm's sole remedy for the failure by Atlantic to timely make any Subsequent Payment. For purposes of this Agreement, the dollar value of the Purchase Price is \$6,795,000.

(c) If TeraComm is dissolved and liquidated before Atlantic has made each Subsequent Payment it is required to make pursuant to Section 1.2(a), the maximum Series A

Preferred Stock Liquidation Amount payable to Atlantic will be calculated by multiplying the Preferred Stock Liquidation Amount that it would otherwise be entitled to by a fraction, the numerator of which is \$1,795,000 plus \$250,000 plus the amount of each Subsequent Payment made by Atlantic, the denominator of which is \$6,795,000.

1.3 Dividend. TeraComm may not distribute to its common stockholders as a dividend the Purchase Price Shares and the Purchase Price Warrant until such time as all holders of TeraComm common stock have made to Atlantic customary investment representations in a form reasonably acceptable to Atlantic. If by 30 days after the date of this agreement Atlantic has not received signed investment representations from each holder of TeraComm common stock, TeraComm may thereafter sell the Purchase Price Shares and issue the proceeds as a dividend to holders of TeraComm common stock, on condition that the sale is conducted in compliance with all applicable securities laws. Atlantic hereby waives any right to receive any part of any dividend made by TeraComm as contemplated in the Section 1.3.

ARTICLE 2  
REPRESENTATIONS CONCERNING TERACOMM

TeraComm represents to Atlantic as follows, except as noted in the TeraComm Disclosure Schedules delivered to Atlantic by TeraComm concurrently with execution and delivery of this Agreement:

2.1 Organization and Good Standing. TeraComm is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with all necessary corporate power and authority to own or use its assets and conduct its business as it is now being conducted. TeraComm is duly qualified to do business as a foreign corporation in, and is in good standing under the laws of, each state or other jurisdiction in which either the ownership or use of its assets or the nature of the business conducted by it requires that it be so qualified.

2.2 Authority. (a) TeraComm has full power and authority to execute and deliver this agreement and the other Transaction Documents to which it is party and to perform its obligations hereunder and thereunder. Execution and delivery of this agreement and the other Transaction Documents to which it is party and performance by TeraComm of its obligations hereunder and thereunder have been duly authorized by the board of directors of stockholders of TeraComm and no other corporate proceedings on the part of TeraComm are necessary with respect thereto.

(b) This agreement and the other Transaction Documents to which it is party constitute the valid and binding obligation of TeraComm, each enforceable in accordance with its terms, except as enforceability is limited by (1) any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, or (2) general principles of equity, whether considered in a proceeding in equity or at law.

2.3 Consents. TeraComm is not required to obtain the Consent of any Person, including any party to any Contract to which TeraComm is a party, in connection with execution and delivery of this agreement and the other Transaction Documents to which it is party and performance of its obligations hereunder and thereunder.



2.4 No Violations. TeraComm's execution and delivery of this agreement and the other Transaction Documents to which it is party and performance of its obligations hereunder and thereunder do not do any of the following:

- (1) violate any provision of the Restated Certificate of Incorporation or the by-laws of TeraComm as currently in effect;
- (2) conflict with, result in a breach of, constitute a default under (or an event that, with notice or lapse of time or both, would constitute a default under), accelerate the performance required by, result in the creation of any Lien upon any of the properties or assets of TeraComm under, or create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under, any Contract to which TeraComm is a party or by which any properties or assets of TeraComm are bound; or
- (3) violate any Law or Order to which TeraComm is subject.

2.5 Capitalization. (a) The authorized capital stock of TeraComm consists of 10,000 shares of common stock, par value \$.001 per share ("TeraComm Common Stock") and 10,000 shares of preferred stock, par value \$.001, of which 1,400 shares have been designated shares of TeraComm Preferred Stock.

(b) As of the date of this agreement, (1) there are 2,600 shares of TeraComm common stock issued and outstanding, (2) excluding the Shares, there are no shares of TeraComm Preferred Stock issued and outstanding, (3) no shares of TeraComm common stock or shares of TeraComm Preferred Stock are held in the treasury of TeraComm, and (4) 1,400 shares of TeraComm common stock have been reserved for issuance upon conversion of the Shares (those shares of common stock, the "Conversion Shares").

(c) The Shares and all of the issued and outstanding shares of TeraComm common stock have been duly authorized and are validly issued, fully paid and nonassessable, and the Conversion Shares will, upon issuance in compliance with the Restated Certificate of Incorporation, be duly authorized, validly issued, fully paid, and nonassessable.

(d) Schedule 2.5(d) lists each stockholder of TeraComm and the shares of TeraComm Common Stock held by them. Together those shares of TeraComm Common Stock constitute all of the issued and outstanding shares of TeraComm Common Stock.

(e) Except with respect to the conversion privileges of the Shares, there are no options, warrants, or other Contracts to which TeraComm is a party requiring, and there are no securities of TeraComm outstanding that upon conversion or exchange would require, the issuance, sale or transfer of any additional shares of capital stock or other equity securities of TeraComm or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase shares of capital stock or other equity securities of TeraComm. There exist no stockholder agreements, voting trusts, proxies, or other Contracts with respect the sale, transfer, registration or voting of shares of TeraComm capital stock, except for any entered into in connection with the transactions contemplated by this agreement.

2.6 Ownership Interests. TeraComm does not own, or have any Contract to acquire, any equity securities or other direct or indirect ownership interest in any other Person, except as provided in this agreement.

2.7 Financial Statements. TeraComm has previously delivered to Atlantic (1) the unaudited balance sheet of TeraComm as of December 31, 1999 (the "Balance Sheet"), and the related unaudited statements of income and cash flow for TeraComm for the year then ended, and (3) the unaudited balance sheet of TeraComm as of April 30, 2000 (the "Interim Balance Sheet"), and the related unaudited statements of income and cash flow for Spectrum for the four months then ended (the "Interim Financial Statements"). These financial statements have been prepared in accordance with good accounting principles consistently applied with past practice (except in each case as described in the notes thereto) and on that basis present fairly, in all material respects, the financial position and the results of operations and cash flow of TeraComm as of the respective dates of and for the period referred to in these financial statements, subject, in the case of the Interim Financial Statements, to normal year-end adjustments.

2.8 Books and Records. The books of account, minute books, stock record books, and other records of TeraComm, all of which have been made available to Atlantic, have been properly kept and contain no inaccuracies except for those inaccuracies that are not reasonably likely to have a Material Adverse Effect on TeraComm.

2.9 Real Property. TeraComm does not own any real property. Schedule 2.9 contains an accurate list of all leaseholds or other interests of TeraComm in any real property.

2.10 Title to Properties; Liens. TeraComm has sufficient title to the properties and assets (whether real, personal, or mixed, and whether tangible or intangible) that it owns or purports to own, including all the properties and assets reflected in the Interim Balance Sheet (except for personal property disposed of in the Ordinary Course of Business since the date of the Interim Balance Sheet), free and clear of all Liens except Permitted Liens. TeraComm has a valid leasehold, license or other interest in all of the other assets, real or personal, tangible or intangible, that it uses in the operation of its business, free and clear of all Liens except Permitted Liens.

2.11 Condition and Sufficiency of Assets. The building, plant, structures, and equipment of TeraComm are structurally sound, are in good operating condition and repair, reasonable wear and tear excepted, and are adequate for the uses to which they are being put, and the building, plant, structures, and equipment of TeraComm is not in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost.

2.12 Suppliers. Schedule 2.12 contains an accurate list of the name and address of each supplier from which TeraComm purchased in excess of 5% of TeraComm's purchases of goods or services since January 1, 1999, and since that date none of these suppliers has terminated its relationship with or altered in a manner detrimental to TeraComm its accommodations, sales, or services to TeraComm or indicated its intention to do so for any reason.

2.13 No Undisclosed Liabilities. TeraComm has no liabilities of the type required to be reflected as liabilities on a balance sheet prepared in accordance with GAAP except for liabilities or obligations reflected or reserved against in the Balance Sheet or Interim Balance Sheet and current liabilities incurred in the Ordinary Course of Business since the respective dates thereof, and has no other liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent, or otherwise).

2.14 Taxes. (a) TeraComm has prior to issuance of the Shares been a "small business corporation" and has maintained a valid election to be an "S" corporation under Subchapter S of the Code, and the equivalent provisions of all applicable state income tax statutes, since October 1995. TeraComm has filed on a timely basis (including any extensions) with the appropriate Governmental Bodies in the applicable jurisdictions either each Tax Return of TeraComm that is due or a valid request for extension with respect to that Tax Return. All Tax Returns filed by TeraComm are accurate and complete. TeraComm has paid fully on a timely basis all Taxes due.

(b) There are no material claims or assessments pending against TeraComm for any alleged deficiency in any Tax, there are no pending or to TeraComm's Knowledge threatened audits or investigations for or relating to any liability in respect of any Tax, and TeraComm has not been notified in writing of any proposed Tax claims or assessments against TeraComm. There are no Liens for any Taxes on the properties or assets of TeraComm except for statutory liens for current Taxes not yet due and payable. TeraComm has not given or been requested to give waivers or extensions (or is or would be subject to a waiver or extension given by any other Person) of any statute of limitations relating to the payment of Taxes of TeraComm or for which TeraComm may be liable. TeraComm has no liability for the Taxes of any Person other than TeraComm. TeraComm has not made any change in accounting methods, and has not received a ruling from or signed an agreement with any Governmental Body, that is likely to have a Material Adverse Effect on TeraComm. TeraComm has not, with regard to any assets or property held, acquired or to be acquired by it, filed a consent to the application of Section 341(f) of the Code, or agreed to have Section 341(f)(2) of the Code apply to any disposition of a "subsection (f) asset" (as that term is defined in Section 341(f)(4) of the Code) owned by TeraComm.

(c) TeraComm is not a party to any agreement, arrangement or contract providing for the allocation, indemnification or sharing of Taxes. TeraComm is not a party to any agreement, contract or arrangement that could result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(d) TeraComm is not, nor has it been for the five-year period preceding the date of this agreement, a U.S. real property holding corporation as defined in Section 897(c)(2) of the Code.

2.15 Environmental Matters. (a) The operations of TeraComm are and have always been in compliance with all applicable Environmental Laws.

(b) Neither TeraComm nor any of its operations are subject to any Order or Contract respecting (1) Environmental Laws, (2) Remedial Action, (3) any Environmental Claim, or (4) the Release or threatened Release of any Hazardous Material.

(c) None of the operations of TeraComm involves the generation, transportation, treatment, storage or disposal of Hazardous Material.

2.16 Compliance With Laws; Permits. (a) TeraComm is, and at all times since it was organized has been, in compliance with each Law that is or was applicable to it or to the conduct or operation of its business or the ownership or use of any of its properties or assets, except for noncompliance that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect on TeraComm.

(b) TeraComm has not received, at any time since January 1, 1997, any written notice from any Governmental Body or any other Person regarding (A) any alleged violation of any Law, or (B) any alleged obligation on the part of TeraComm to undertake, or to bear all or any portion of the cost of, any remedial action of any nature under any Law.

(c) Schedule 2.16(c) contains an accurate list of each material Permit held by TeraComm that relates to the business of, or to any of the properties or assets owned or used by, TeraComm. Each Permit listed in Schedule 2.16(c) is valid and in full force and effect.

2.17 Proceedings; Orders. There are no Proceedings pending or, to TeraComm's Knowledge, threatened against TeraComm or any properties or assets of TeraComm, and there is no Order to which TeraComm, or any of the properties or assets of TeraComm, is subject.

2.18 Absence of Certain Changes and Events. Since the date of the Balance Sheet, TeraComm has conducted its business only in the Ordinary Course of Business and there has not occurred any of the following:

- (1) any change in TeraComm's authorized or issued capital stock; purchase, redemption, retirement, or other acquisition by TeraComm of any shares of capital stock of TeraComm; or declaration or payment of any dividend or other distribution (whether in cash, stock, or property) in respect of shares of capital stock of TeraComm;
- (2) any amendment of the certificate of incorporation or by-laws of TeraComm;
- (3) any increase in the salary, bonus, or other compensation payable by TeraComm to any director, officer, employee, consultant or independent contractor, except for increases in the Ordinary Course of Business consistent with TeraComm's past practice, or any entry into any employment, consulting, incentive compensation, severance, or similar Contract with any director, officer, employee, consultant or independent contractor that is not terminable without liability on notice of 30 days or less;
- (4) any incurrence by TeraComm of indebtedness for borrowed money, any assumption or guarantee by TeraComm of the debt of any other Person, or any loan or advance by TeraComm to any Person other than in the Ordinary Course of Business;

- (5) any damage to or destruction or loss of any asset or property of TeraComm not fully covered by insurance that is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on TeraComm;
- (6) any sale (other than sales of inventory in the Ordinary Course of Business), lease, or other disposition of, or any mortgage, pledge, or imposition of any Lien except Permitted Liens on, any property or asset that is material, individually or in the aggregate, to the business of TeraComm;
- (7) any cancellation or waiver of any material claims or rights without adequate consideration or a reasonable business purpose;
- (8) any merger or consolidation with, or purchase of a substantial equity interest in or all or a substantial portion of the assets of, any Person;
- (9) any material revaluation by TeraComm of any of its assets, including any writing-off of notes or accounts receivable other than in the Ordinary Course of Business consistent with past practice;
- (10) any material change in the accounting methods used by TeraComm;
- (11) any change, event or other circumstance that taken individually or in the aggregate has had or could reasonably be expected to have a Material Adverse Effect on TeraComm, except for general changes in the industry in which TeraComm operates or in the economy; or
- (12) entry by TeraComm into any Contract to do any of the foregoing.

2.19 Contracts. (a) Schedule 2.19 contains a list of the following Contracts to which TeraComm is party, other than those provided for in this agreement:

- (1) each Contract relating to indebtedness of TeraComm for borrowed money (whether incurred, assumed, guaranteed or secured by any asset);
- (2) each Contract relating to the lending of more than \$1,000 in any one instance or \$5,000 in the aggregate by TeraComm to any Person, including any Affiliate of TeraComm;
- (3) each Contract (or group of related Contracts) for the lease of personal property to or from any Person providing for lease payments in excess of \$1,000 in any one instance or \$5,000 in the aggregate per annum;
- (4) each Contract concerning a partnership or joint venture;
- (5) each Contract (other than a Contract listed elsewhere in Schedule 2.19) requiring that TeraComm maintain confidential any given information;
- (6) each Contract in which TeraComm agrees not to compete in any line of business, in any geographic area, or with any Person;

- (7) each collective bargaining agreement or other Contract with a labor union or other representative of a group of employees;
- (8) each Contract for the employment by TeraComm of any individual on a full-time, part-time, consulting, independent contracting, leased employee or other basis;
- (9) each Contract providing for indemnification of or by TeraComm (other than a Contract listed elsewhere in Schedule 2.19);
- (10) each Contract in which TeraComm agrees to provide products or services to any Person, or receive products or services from any Person, for consideration other than cash;
- (11) each other Contract with a TeraComm customer;
- (12) each Contract granting TeraComm the right to use any Intellectual Property Assets of another Person (excluding Contracts granting TeraComm rights to off-the-shelf commercial software), or granting another Person the right to use, or restricting TeraComm's right to use, Intellectual Property Assets of TeraComm; and
- (13) any other Contract (or group of related Contracts) that involve consideration in excess of \$5,000.

(b) TeraComm has permitted Atlantic to review a copy of each Contract listed in Schedule 2.19.

(c) Each Contract to which TeraComm is a party identified or required to be identified in Schedule 2.19 is in full force and effect and is valid and enforceable in accordance with its terms, except as enforceability is limited by (1) any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, or (2) general principles of equity, whether considered in a proceeding in equity or at law.

(d) TeraComm is not in default under any Contract to which it is party, and to TeraComm's Knowledge no event or circumstance has occurred that would, with notice or lapse of time or both, constitute an event of default under any material Contract to which TeraComm is a party.

(e) To TeraComm's Knowledge, TeraComm is not party to any unwritten contract.

2.20 ERISA and Employee Benefit Matters. (a) Neither TeraComm nor any ERISA Affiliate maintains or has ever maintained, or has proposed or agreed to create, any Employee Benefit Plan.

(b) For purposes of this agreement, "Employee Benefit Plan" means any "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, and any other plan, policy, program, practice, arrangement or Contract providing benefits to any current or former director, employee or independent contractor (or to any dependent or beneficiary thereof) of TeraComm, any subsidiary of TeraComm or any

ERISA Affiliate, which are now or have ever been maintain by TeraComm, any subsidiary of TeraComm or any ERISA Affiliate or under which TeraComm, any subsidiary of TeraComm or any ERISA Affiliate has any obligation or Liability, including all incentive, bonus, deferred compensation, vacation, holiday, medical, disability, stock appreciation rights, stock option, stock purchase or other similar plans, policies, programs, practices, arrangements or Contracts.

(c) For purposes of this agreement, "ERISA Affiliate" means any Person (whether or not incorporated) other than TeraComm that, together with TeraComm, is or was a member of (1) a controlled group of corporations within the meaning of Section 414(b) of the Code, (2) a group of trades or businesses under common control within the meaning of Section 414(c) of the Code, or (3) an affiliated service group within the meaning of Section 414(m) of the Code.

2.21 Employees. (a) Schedule 2.21 lists the following information for each employee of TeraComm as of the date of this agreement, including each employee on leave of absence or layoff status: (1) name; (2) job title; (3) current annual base salary or annualized wages; (4) bonus compensation earned during 1999 and 2000 (projected); and (5) vacation accrued and unused. TeraComm pays no compensation to the members of its board of directors for acting as such.

(b) To TeraComm's Knowledge, there exists no condition or state of facts or circumstances relating to consummation of the transactions contemplated by this agreement or the other Transaction Documents to which it is party that could have a material adverse effect on TeraComm's relations with its employees.

(c) TeraComm does not have any obligation to reinstate any former officer or employee of TeraComm. TeraComm is not required to make payments of any kind (including severance payments) to any former director, officer, employee, agent or independent contractor of TeraComm. No officer or employee of TeraComm has indicated his or her intention to resign.

(d) No current or former officer or employee of TeraComm is currently receiving any benefits from TeraComm because he or she is disabled.

(e) All of the officers and employees of TeraComm are in good standing under the terms and conditions of their employment, and to TeraComm's Knowledge there exists no problem or difficulty with the employment of such officer or employee.

(f) TeraComm has paid all wages, bonuses, commissions or other compensation due and payable to each of its employees in accordance with its customary practice.

(g) TeraComm is not and has not been a party to any collective bargaining agreement. Since January 1, 1999, there has not been, and to TeraComm's Knowledge there is not threatened, any application for certification of a collective bargaining agent.

2.22 Deposit Accounts. Schedule 2.22 lists (1) the name of each financial institution in which TeraComm has an account or safe deposit box, (2) the name or names in which each

account or box is held, (3) the type of account, and (4) the name of each Person authorized to draw on or have access to each account or box.

2.23 Intellectual Property Rights. (a) TeraComm is the sole legal and beneficial owner, free and clear of any Lien, of the entire interest in the Intellectual Property Assets used in or necessary for the conduct of TeraComm's business as currently conducted or as currently proposed to be conducted and that interest are sufficient in all material respects for the conduct of TeraComm's business as currently conducted or as currently proposed to be conducted. Execution and delivery of this agreement and the other Transaction Documents to which is party and consummation of the transactions contemplated hereby and thereby will not constitute a material breach of any Contract involving any of the Intellectual Property Assets of TeraComm and will not cause the forfeiture or termination or give rise to a right of forfeiture or termination of, or any obligation to pay any royalty, license or other fee with respect to, any Intellectual Property Asset of TeraComm or impair in any material respect TeraComm's rights to use, sell or license any Intellectual Property Asset or portion thereof.

(b) Set forth in Schedule 2.23(b) is a complete and correct list of the following:

- (1) all patents and patent applications owned by TeraComm worldwide;
- (2) all trademark and service mark registrations and all trademark and service mark applications and all trade names owned by TeraComm worldwide;
- (3) all copyright registrations and copyright applications owned by TeraComm worldwide; and
- (4) all licenses owned by TeraComm in which TeraComm is (A) a licensor with respect to any of the patents, trademarks, service marks, trade names or copyrights listed in Schedule 2.23(b), or (B) a licensee of any other person's patents, trade names, trademarks, service marks or copyrights.

(c) TeraComm has made all necessary filings and recordations to protect and maintain their respective interest in the patents, patent applications, trademark and service mark registrations, trademark and service mark applications, trade names, copyright registrations and copyright applications and licenses set forth in Schedule 2.23(b)

(d) Each patent, patent application, trademark or service mark registration, trademark or service mark application and copyright registration or copyright application of TeraComm set forth in Schedule 2.23(b) is valid and subsisting and has not been judged invalid, unregistrable or unenforceable, in whole or in part, and is, to TeraComm's Knowledge, valid, registrable and enforceable. Each license of TeraComm identified in Schedule 2.23(b) is valid and subsisting and has not been adjudged invalid or unenforceable, in whole or in part, and is, to TeraComm's Knowledge, enforceable. TeraComm has notified Atlantic of all uses of any item of the Intellectual Property Assets of TeraComm used in or necessary for the conduct of the business of TeraComm as presently conducted or as presently proposed to be conducted that have become invalid or unenforceable, including uses that were not supported by the good will of the business connected with those Intellectual Property Assets. TeraComm has not made a



previous assignment, transfer or Lien, or a Contract constituting a present or future assignment, transfer or Lien, of any Intellectual Property Asset used in or necessary for the conduct of the business of TeraComm as presently conducted or as presently proposed to be conducted. TeraComm has not granted any license, release, covenant not to sue, or non-assertion assurance to any person with respect to any part of the Intellectual Property Assets.

(e) No use of the Intellectual Property Assets of TeraComm used in or necessary for the conduct of the business of TeraComm as presently conducted or as presently proposed to be conducted, nor the manufacture, marketing, license, sale or use of any product or service currently licensed or sold by TeraComm or currently under development by TeraComm violates any license agreement between TeraComm and any Person or to TeraComm's Knowledge infringes any proprietary rights of any Person and there is no pending or, to TeraComm's Knowledge, threatened claim or litigation contesting the validity, ownership or right to use, sell, license or dispose of any such Intellectual Property Asset or product nor, to TeraComm's Knowledge, is there any basis for any such claim, nor has TeraComm received any notice asserting that any of such Intellectual Property Assets or products, or the proposed use, sale, license or disposition thereof, conflicts or will conflict with the rights of any other Person, nor, to TeraComm's Knowledge, is there any basis for any such assertion.

(f) To TeraComm's Knowledge there is no unauthorized use, infringement or misappropriation of any of the Intellectual Property Assets of TeraComm used in or necessary for the conduct of the business of TeraComm as presently conducted or as presently proposed to be conducted by any Person, including any employee or former employee or consultant or former consultant of TeraComm.

(g) There are no royalties, honoraria, fees or other fixed or contingent amounts or payments payable by TeraComm to any Person with respect to any Intellectual Property Assets used in or necessary for the conduct of the business of TeraComm as presently conducted or as presently proposed to be conducted.

(h) TeraComm has taken reasonable and practicable steps designed to safeguard and maintain the secrecy and confidentiality of, and the proprietary rights in, the Intellectual Property Assets used in or necessary for the conduct of the business of TeraComm as presently conducted or as presently proposed to be conducted. All officers, employees and consultants and other independent contractors of or to TeraComm having access to or developing any Intellectual Property Assets used in or necessary for the conduct of the business of TeraComm as presently conducted or as presently proposed to be conducted have executed and delivered an agreement regarding the protection of proprietary information and the license or assignment to TeraComm, as the case may be, of all proprietary rights arising from the services performed by such Persons, and such proprietary rights are licensed or assigned to TeraComm, as the case may be, or are works-made-for-hire, and TeraComm, as the case may be, is the author and owner of all such rights under the Copyright Act of 1976, as amended, or similar foreign laws or by assignment. No current or prior officer, employee or consultant or other independent contractor of or to TeraComm, as the case may be, (1) claims or has a right to claim an ownership interest in any Intellectual Property Assets used in or necessary for the conduct of the business of TeraComm as presently conducted or as presently proposed to be conducted as a result of having been involved in the development or licensing of any such property while

employed by or consulting or otherwise providing services to TeraComm, as the case may be, or otherwise, or (2) to TeraComm's Knowledge, owns any Intellectual Property Assets directly or indirectly competitive with those of TeraComm.

2.24 Conduct of Business; Use of Name. The business carried on by TeraComm has been conducted directly by TeraComm, and not through any Affiliate or through any other Person. TeraComm owns and has the exclusive right, title and interest in and to the name "TeraComm Research, Inc." for corporate law purposes in the State of Delaware, and to TeraComm's Knowledge no other Person has the right to use that name or any confusing variation on that name in the U.S. in connection with the operation of any business similar or related to the business conducted by TeraComm.

2.25 Insurance. Schedule 2.25 lists all insurance policies held by or on behalf of TeraComm, and the premiums under and expiration dates of those policies. Each of those policies is in full force and effect and, to TeraComm's Knowledge, is valid and enforceable in accordance with its terms. TeraComm is not in default under any such policy nor has TeraComm failed to give any notice or present any claim under any such policy in due and timely fashion, and to TeraComm's Knowledge there exist no grounds for the insurer's canceling or avoiding any of those policies or increasing the premiums of those policies, or for reducing the coverage provided by those policies.

2.26 Brokers Or Finders. Neither TeraComm nor any of its stockholders or any of its or their agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this agreement.

2.27 Affiliate Transactions. Schedule 2.27 lists any Contract between TeraComm and any of its stockholders or any director, officer, employee or any other Affiliate of TeraComm or any of its stockholders.

2.28 Disclosure. No representation made by TeraComm in this agreement is inaccurate in any material respect or omits to state a material fact necessary to make the statements made in this agreement, in light of the circumstances under which they were made, not misleading.

ARTICLE 3  
REPRESENTATIONS OF ATLANTIC

Atlantic represent to TeraComm as follows:

3.1 Organization and Good Standing. Atlantic is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware, with all necessary corporate power and authority to own or use its properties and assets and conduct its business as it is now being conducted.

3.2 Authority. (a) Atlantic has all requisite corporate power and authority to execute and deliver this agreement and the other Transaction Documents to which it is party and to perform its obligations hereunder and thereunder. Execution and delivery of this agreement and

the other Transaction Documents to which it is party and performance by Atlantic of its obligations hereunder and thereunder have been duly authorized by the board of directors of Atlantic, and no other corporate proceedings Atlantic are necessary with respect thereto.

(b) This agreement constitutes the valid and binding obligation of Atlantic, enforceable in accordance with its terms, except as enforceability is limited by (1) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, or similar law affecting creditors' rights generally, or (2) general principles of equity, whether considered in a proceeding in equity or at law.

3.3 Consents. Atlantic is not required to obtain the Consent of any Person, including the Consent of any party to any Contract to which Atlantic is a party, in connection with execution and delivery of this agreement and performance of its obligations under this agreement.

3.4 No Violations. Execution and delivery by Atlantic of this agreement and the other Transaction Documents to which it is party and performance of its obligations hereunder and thereunder do not (1) violate any provision of its articles of incorporation or by-laws as currently in effect, (2) conflict with, result in a breach of, constitute a default under (or an event that, with notice or lapse of time or both, would constitute a default under), accelerate the performance required by, result in the creation of any Lien upon any of its properties or assets under, or create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under, any Contract to which it is a party or by which any of its properties or assets are bound, or (3) violate any Law or Order currently in effect to which it is subject.

3.5 Capitalization. (a) The authorized capital stock of Atlantic consists of 80,000,000 shares of Atlantic Common Stock and 50,000,000 shares of preferred stock, par value \$0.01 per share ("Atlantic Preferred Stock").

(b) As of March 31, 2000, (1) there were 5,302,37 shares of Atlantic Common Stock issued and outstanding, (2) there were \_\_\_\_\_ shares of Atlantic Preferred Stock issued and outstanding, and (3) no shares of Atlantic Common Stock were held in the treasury of Atlantic.

(c) All of the issued and outstanding shares of Atlantic Common Stock have been duly authorized and are validly issued, fully paid, and nonassessable, and all shares of Atlantic Common Stock that have been reserved for issuance will, upon issuance in compliance with the terms of the instruments pursuant to which they are to be issued, be duly authorized, validly issued, fully paid, and nonassessable.

(d) When issued in accordance with the terms of this agreement, the Purchase Price Shares will be duly authorized, validly issued, fully paid, and non-assessable.

(e) Except as set forth in Atlantic's Annual Report on Form 10-KSB filed with the SEC on March 30, 2000, other than the Purchase Price Warrant there are no options, warrants, or other Contracts to which Atlantic is a party relating to the issuance, sale, or transfer of any equity securities or other securities of Atlantic.

3.6 Filings With the SEC. (a) Since January 1, 1999, Atlantic has filed with the SEC all reports, proxy statements, forms, and other documents that has been required by law to file with the SEC (those documents, the "Atlantic SEC Documents"). As of the date they were each filed, giving effect to any amendments, (1) the Atlantic SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as applicable, in effect on the date of filing and (2) the Atlantic SEC Documents do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(b) Each of the Atlantic financial statements (including the related notes) included in the Atlantic SEC Documents have been prepared in accordance with GAAP consistently applied with past practice and on that basis present fairly, in all material respects, the financial position and the results of operations, changes in stockholders' equity, and cash flows of Atlantic as of the respective dates of and for the periods referred to in these financial statements.

3.7 Investment Representations. (a) Atlantic is acquiring the Shares for its own account, not as a nominee or agent, and not with a view to distributing any of the Shares or the Conversion Shares in violation of the securities laws.

(b) Atlantic understands that investment in the Shares is speculative and involves a high degree of risk. Atlantic is knowledgeable in business and financial matters and is capable of evaluating the merits and risks of an investment in Holdings.

(c) Atlantic understands that neither the Shares nor the Conversion Shares have been registered under the Securities Act and may not be sold or otherwise disposed of except pursuant to an effective registration statement filed under the Securities Act or pursuant to an exemption from the Securities Act. Atlantic acknowledges that TeraComm is under no obligation to register the Shares or the Conversion Shares under the Securities Act on behalf of Atlantic, except as provided in the Registration Rights Agreement.

(d) Atlantic acknowledges that TeraComm may place a legend on the any stock certificates representing any Shares or Conversion Shares stating that the Shares or Conversion Shares, as the case may be, represented by that certificate have not been registered under the Securities Act and therefore cannot be offered, sold or transferred unless they are registered under the Securities Act or an exemption from such registration is available.

(e) Atlantic has been afforded the opportunity to ask representatives of TeraComm such questions concerning TeraComm's operations as Atlantic has deemed necessary, and Atlantic has received all documents and information relating to its investment in the Shares requested by or on behalf Atlantic.

3.8 Proceedings. There are no Proceedings pending or, to Atlantic's Knowledge, threatened in writing against Atlantic that question the validity of this agreement or any of the other Transaction Documents to which it is party or any action taken or to be taken in connection with the transactions contemplated by this agreement or any of the other Transaction Documents to which it is party.

3.9 Brokers or Finders. Atlantic and its officers and agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this agreement.

ARTICLE 4  
CERTAIN OBLIGATIONS OF TERACOMM

4.1 Duration of Obligations. Unless they terminate earlier pursuant to the terms of this Article 4, TeraComm will no longer have any obligations under this Article 4 upon occurrence of the following:

- (1) termination of the Stockholders Agreement;
- (2) any transaction or series or combination of transactions whereby all or substantially all of TeraComm's assets are acquired by a Person that is not an Affiliate of TeraComm, or by a group of such Persons; and
- (3) any merger, consolidation or reorganization of TeraComm with any Person that is not an Affiliate of TeraComm, or a group of such Persons, other than a merger, consolidation or reorganization that results in the voting securities of TeraComm outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of another Person) at least 50% of the combined voting power of the surviving Person;

4.2 Accounts and Reports. Until Atlantic owns less than 20% of the capital stock of TeraComm (on a fully-diluted basis), TeraComm shall furnish to Atlantic, and to each assignee of Atlantic, the following reports:

- (1) as soon as available and in any event within 90 days after the end of each fiscal year, consolidated and consolidating financial statements of TeraComm, including a consolidated balance sheet as at the end of such fiscal year and consolidated statements of income and stockholders' equity and of cash flows for such fiscal year, together with all notes thereto, prepared in reasonable detail and in accordance with GAAP together with an opinion thereon by a nationally-recognized firm of independent certified public accountants selected by TeraComm's board of directors;
- (2) as soon as available, and in any event within 30 days after the end of each quarterly accounting period, financial statements of TeraComm, including a balance sheet as at the end of that quarterly accounting period and statements of income and stockholders' equity and cash flows for that quarterly accounting period and for the period from the beginning of such fiscal year to the end of that quarterly accounting period, prepared in reasonable detail and certified by the chief financial officer of Holding to have been prepared in accordance with GAAP (subject to normal year end adjustments and except for the omission of footnote disclosure), and incorporating a comparison between the actual figures for that quarterly accounting period, the comparable figures for the prior year and the comparable figures included in the final annual forecast referenced in

Section 4.2(3) for that quarterly accounting period, with an explanation of any material differences between them;

- (3) (A) as soon as available and in any event no later than the end of each fiscal year, a provisional annual forecast, and (B) as soon as available and in any event no later than 60 days after the end of each fiscal year, a final annual forecast, including budgeted quarterly balance sheets, cash flow and income and loss projections, a consolidated capital and operating expense budget and a business plan for TeraComm in respect of the following fiscal year, all itemized in reasonable detail including the assumptions on which the forecast was based and, promptly after preparation, any revisions to any of the foregoing;
- (4) promptly upon receipt thereof (and in no event later than 5 business days after receipt thereof), copies of all final audit reports, "management letters" and other communications and reports submitted to TeraComm by independent certified public accountants in connection with each interim, annual, or special audit of the books of TeraComm made by those accountants;
- (5) promptly upon request, a copy of all financial statements, reports, press releases, notices, proxy statements and other documents sent by TeraComm to its stockholders generally or released to the public and copies of all regular and periodic reports, if any, filed by TeraComm with the SEC or any securities exchange; and
- (6) prompt notice of (A) any action, suit, proceeding or investigation at law or in equity or by or before any governmental instrumentality or agency which, if adversely determined, would materially impair the right of TeraComm to carry on their business as then conducted or would have a Material Adverse Effect on TeraComm or (B) of any other event on condition that has resulted in or could reasonably be expected to result in a Material Adverse Effect on TeraComm.

4.3 Information and Inspection. Until Atlantic owns less than 20% of the capital stock of TeraComm (on a fully-diluted basis), TeraComm shall furnish to Atlantic from time to time with reasonable promptness, upon request, full information regarding the business and operations of TeraComm and, at all reasonable times and as often as Atlantic reasonably requests, permit any authorized representative designated by it to visit and inspect any of the properties of TeraComm or any of their Subsidiaries, including its books (and to make extracts therefrom), and to discuss with its officers its business and operations.

4.4 Payment of Taxes. TeraComm shall pay and discharge all Taxes imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims that, if unpaid, might become a Lien upon any of its properties, except that TeraComm is not required to pay any such Tax that it is contesting in good faith and by proper proceedings if all reserves required under GAAP and reasonably determined to be adequate by TeraComm's board of directors have been set aside on its books with respect thereto.

4.5 Corporate Existence. TeraComm shall at all times preserve and keep in full force and effect its corporate existence and rights and franchises material to its business, and shall qualify to do business as a foreign corporation in any jurisdiction where the failure to do so could reasonably be expected to have a Material Adverse Effect on TeraComm.

4.6 Compliance with Laws. TeraComm shall use commercially reasonable efforts to comply in all material respects with ERISA and all Environmental Laws, and shall comply in all material respects with all other Laws applicable to the conduct of its business and the ownership of its property, except that TeraComm is not required to comply with any Law any time it is contesting its obligation to do so in good faith by appropriate Proceedings promptly initiated and diligently conducted, and if it has set aside on its books all reserves with respect thereto required by GAAP and reasonably determined to be adequate by TeraComm's board of directors.

4.7 Insurance; Insurance Coverage Maintenance. TeraComm shall use commercially reasonable efforts to maintain with financially sound and reputable insurers insurance with respect to its properties and businesses against Losses of the kinds customarily insured against by Persons of established reputation engaged in the same or a similar business and similarly situated, in such amounts and by such methods as are customary for such Persons and reasonably deemed adequate by TeraComm.

4.8 Regular Meetings of Directors. TeraComm shall take such action as is required to cause its board of directors to meet not less often than quarterly. TeraComm shall promptly pay all reasonable out-of-pocket expenses, including travel and lodging expenses, incurred by directors in connection with meetings of TeraComm's board of directors.

4.9 Restrictive Agreements Prohibited. TeraComm shall not become a party to or bound by any agreement that by its express terms restricts performance by TeraComm of its obligations under this agreement, the other Transaction Documents to which it is party or the Restated Certificate of Incorporation.

4.10 By-Laws. TeraComm shall use their best efforts to cause its by-laws to provide at all times that any two directors have the right to call a meeting of the board of directors or stockholders. TeraComm shall use its best efforts to maintain at all times provisions in its Restated Certificate of Incorporation and by-laws indemnifying its directors against liability to TeraComm and its stockholders to the maximum extent permitted under Law.

4.11 Directors' and Officers' Liability Insurance. TeraComm shall use its best efforts to secure and maintain on commercially reasonable terms directors' and officers' liability insurance providing for appropriate coverage, taking to account the directors' and officers' liability insurance coverage maintained by companies comparable to TeraComm.

4.12 Publicity. Except as may be required by law, TeraComm shall not use the name of, or make reference to, Atlantic or any of its Affiliates in any press release or in any public or private manner without Atlantic's prior consent (which may be given, made conditional or withheld in Atlantic's sole discretion).

4.13 Super-Majority Requirements. Until the earlier of (1) Atlantic owning less than 20% of the capital stock of TeraComm (on a fully-diluted basis), and (2) the second anniversary

of the date of this agreement, without the prior written consent of the holders of a majority the Shares and Conversion Shares considered together TeraComm shall not do any of the following or enter into a Contract to do any of the following:

- (1) engage in any merger or consolidation with or into any other entity, or sell, lease or otherwise dispose of all or substantially all or any significant portion of its assets (collectively, a "Sale Transaction"), for a period of 18 months from the Closing (the "Lock-Up Period");
- (2) engage in any Sale Transaction after the Lock-Up Period, unless Atlantic's pro rata share of the proceeds from that Sale Transaction is promptly distributed to it in cash;
- (3) redeem, purchase, or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any shares of its capital stock, except for the repurchase of shares of its capital stock from employees, officers, directors, consultants or other persons performing services for TeraComm pursuant to agreements under which the issuing corporation has the option to repurchase such shares at cost or at cost upon the occurrence of certain events, such as the termination of employment, on condition that the aggregate amount so paid to repurchase shares of capital stock during any period of twelve consecutive months shall not exceed \$50,000;
- (4) declare or pay any dividends (whether in cash, shares of stock or otherwise) on, or make any other distribution in respect of its capital stock;
- (5) take any action (A) that would alter the powers, preferences or rights of the Shares or (B) to create any new class or series of stock having a preference over or being on a parity with the Shares with respect to dividends, redemption, voting, liquidation or otherwise;
- (6) engage in any transaction, pay any fee or other remuneration, or enter into, amend, modify or otherwise alter any Contract with any of its directors, officers or stockholders or any Affiliate, other than as required by the Transaction Documents to which it is party;
- (7) amend the Restated Certificate of Incorporation or its by-laws;
- (8) organize any Subsidiaries;
- (9) engage in any business other than development of high-speed fiber optic communications technologies and other lines of business related thereto or move or attempt to move substantially all of its assets outside of the United States of America; or
- (10) agree to do any of the foregoing.



ARTICLE 5  
SURVIVAL; INDEMNIFICATION

5.1 Survival of Representations. All representations contained in the Transaction Documents survive for 24 months following the date of this agreement, except that the representations made by TeraComm in Section 2.14 will survive until the applicable statute of limitations has expired.

5.2 Indemnification of Atlantic. TeraComm hereby indemnifies Atlantic and each officer, director, employee, agent, stockholder and Affiliate of Atlantic from and against, and shall pay or reimburse each of them for, any and all claims, losses, fines, costs, damages or other liabilities, including without limitation reasonable out-of-pocket expenses and reasonable attorneys' and accountants' fees (collectively, "Losses"), arising out of breach by TeraComm of any of its obligations under any Transaction Document to which it is party or any inaccuracy in any representation by TeraComm in any of the Transaction Documents to which it is party.

5.3 Indemnification of TeraComm. Atlantic hereby indemnifies TeraComm and each officer, director, employee, agent, stockholder and Affiliate of TeraComm from and against, and shall pay or reimburse each of them for, any and all Losses arising out of breach by Atlantic of any of its obligations under any Transaction Document to which it is party or any inaccuracy in any representation by Atlantic in any of the Transaction Documents to which it is party.

5.4 Indemnification Procedures. (a) In order to be entitled to indemnification under this Article 5 in connection with a claim made by any Person against any Person entitled to indemnification pursuant to this Article 5 (an "Indemnified Party"; any such claim, a "Third Party Claim"), that Indemnified Party must do the following:

- (1) notify the Person or Persons obligated to indemnify it (the "Indemnifying Party") in writing, and in reasonable detail, of that Third Party Claim promptly but in any event within 10 business days after receipt of notice of that Third Party Claim, except that any failure to give any such notification will only affect the Indemnifying Party's obligation to indemnify the Indemnified Party if the Indemnifying Party has been prejudiced as a result of that failure; and
- (2) deliver to the Indemnifying Party promptly but in any event within 10 business days after the Indemnified Party receives them a copy of all notices and documents (including court papers) delivered to that Indemnified Party relating to that Third Party Claim.

(b) No Indemnified Party will be entitled to indemnification under this Article 5 in connection with any Third Party Claim that it notifies the Indemnifying Party of more than two years after the date of this agreement.

(c) In the event of a Third Party Claim against one or more Indemnified Parties, the Indemnifying Party will be entitled to participate in the defense of that Third Party Claim and, if they so choose, to assume at their expense the defense of that Third Party Claim with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the Indemnifying Party so elects to assume the defense of a Third Party Claim, the Indemnifying Party will not be liable to the Indemnified Party for any legal expenses

subsequently incurred by the Indemnified Party in connection with the defense of that Third Party Claim, except that if, under applicable standards of professional conduct, there exists a conflict on any significant issue between the Indemnified Party and the Indemnifying Party in connection with that Third Party Claim, the Indemnifying Party shall pay the reasonable fees and expenses of one additional counsel to act with respect to that issue to the extent necessary to resolve that conflict. If the Indemnifying Party assumes defense of any Third Party Claim, the Indemnified Party will be entitled to participate in the defense of that Third Party Claim and to employ counsel, at its own expense, separate from counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party will be entitled to control that defense. The Indemnifying Party will be liable for the fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party did not assume the defense of any Third Party Claim (other than during any period in which the Indemnified Party failed to give notice of the Third Party Claim as provided above and a reasonable period after such notice). If the Indemnifying Party chooses to defend or prosecute a Third Party Claim, all the parties shall cooperate in the defense or prosecution of that Third Party Claim, including by retaining and providing to the Indemnifying Party records and information reasonably relevant to that Third Party Claim, and making employees available on a reasonably convenient basis. If the Indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnified Party will agree to any settlement, compromise or discharge of that Third Party Claim that the Indemnifying Party recommends and that by its terms obligates the Indemnifying Party to pay the full amount of liability in connection with that Third Party Claim, except that the Indemnifying Party may not without the Indemnified Party's prior written consent agree to entry of any judgment or enter into any settlement that provides for injunctive or other nonmonetary relief affecting the Indemnified Party or that does not include as an unconditional term that each claimant or plaintiff give to the Indemnified Party a release from all liability with respect to that Third Party Claim. Whether or not the Indemnifying Party has assumed the defense of a Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, that Third Party Claim without the Indemnifying Party's prior written consent.

(d) In order for one or more Indemnified Parties to be entitled to any indemnification under this agreement in respect of a claim that does not involve a Third Party Claim (a "Claim"), the Indemnified Party must reasonably promptly notify the Indemnifying Party of that Claim, and describe in reasonable detail the basis for that Claim, except that any failure to give any such notification will only affect the Indemnifying Party's obligation to indemnify the Indemnified Party if the Indemnifying Party has been prejudiced as a result of that failure. No Indemnified Party will be entitled to indemnification under this Article 5 in connection with any Claim if it notifies the Indemnifying Party of that Claim more than two years after the date of this agreement. If the Indemnifying Party does not dispute that the Indemnified Party is entitled to indemnification with respect to that Claim by notice to the Indemnified Party prior to the expiration of a 30-calendar-day period following receipt by the Indemnifying Party of notice from the Indemnified Party of that Claim, that Claim will be conclusively deemed a liability of the Indemnifying Party and the Indemnifying Party shall pay the amount of that liability to the Indemnified Party on demand or, in the case of any notice in which the amount of the Claim (or any portion thereof) is estimated, on such later date as the amount of the Claim (or any portion thereof) becomes finally determined. If the Indemnifying Party has timely disputed their liability with respect to the Claim, the Indemnifying Party and the

Indemnified Party shall proceed in good faith to negotiate a resolution of the Claim and, if the Claim is not resolved through negotiations, the Indemnified Party may pursue such remedies as may be available to enforce their rights to indemnification under this agreement.

5.5 Limitation on Indemnification. (a) Each Indemnifying Party's exclusive remedy with respect to any claims of that Indemnifying Party under this Agreement will be pursuant to the indemnification provisions of this Article 5.

(b) Neither Indemnifying Party will be liable for any obligations under this Article 5 until the aggregate of any amounts it is required to pay to any Indemnified Party under this Article 5 (the "Aggregate Indemnification Amount") exceeds \$50,000, after which it will be obligated to pay the total Aggregate Indemnification Amount.

(c) Once the Aggregate Indemnification Amount of either Indemnifying Party exceeds \$6,795,000, that Indemnifying Party will not be required to pay any Indemnified Party any additional amounts pursuant to this Article 5.

## ARTICLE 6 DELIVERIES

6.1 Deliveries to Atlantic. The obligation of Atlantic to purchase the Shares is subject to each of the following being delivered to Atlantic concurrently with execution and deliver of this agreement:

- (1) a fully-executed copy of a stockholders agreement between Atlantic and all holders of shares TeraComm Common Stock in the form attached as Exhibit B (the "Stockholders Agreement");
- (2) a fully-executed copy of a registration rights agreement between Atlantic and TeraComm with respect to the Shares in the form attached as Exhibit C (the "Atlantic Registration Rights Agreement");
- (3) a fully-executed copy of a registration rights agreement between Atlantic and TeraComm with respect to the Purchase Price Shares and the shares of Atlantic common stock underlying the Purchase Price Warrant in the form attached as Exhibit D (the "TeraComm Registration Rights Agreement");
- (4) a stock certificate representing the Initial Shares;
- (5) an officer's certificate of TeraComm certifying as to the following:
  - (A) the accuracy of (i) resolutions or similar documents evidencing that TeraComm's board of directors has approved the Transaction Documents and the transactions contemplated thereby, and (ii) the Amended and Restated Certificate of Incorporation and TeraComm's by-laws, a copy of each of which documents is attached thereto; and

(B) the incumbency and specimen signature of each authorized officer of TeraComm signing a Transaction Document;

- (6) an investment representation letter by each holder of TeraComm common stock in the form attached as Exhibit E; and
- (7) a fully-executed copy of an employment agreement between TeraComm and each of Kenneth A. Puzey and Thomas Ferrence in the form attached as Exhibit F-1 and Exhibit F-2 (the "Employment Agreements").

6.2 Deliveries to TeraComm. The obligation of TeraComm to issue the Shares to Atlantic is subject to each of the following being delivered to TeraComm concurrently with execution and deliver of this agreement:

- (1) a fully-executed copy of the Stockholders Agreement;
- (2) a fully-executed copy of the Atlantic Registration Rights Agreement;
- (3) a fully-executed copy of the TeraComm Registration Rights Agreement;
- (4) an officer's certificate of Atlantic certifying as to the following:
  - (A) the accuracy of resolutions or similar documents evidencing that Atlantic's board of directors has approved the Transaction Documents and the transactions contemplated thereby, a copy of which documents is attached thereto; and
  - (B) the incumbency and specimen signature of each authorized officer of Atlantic signing a Transaction Document;
- (5) a fully-executed copy of each Employment Agreement;
- (6) a stock certificate representing the Purchase Price Shares; and
- (7) the Warrant.

#### ARTICLE 7 DEFINITIONS

When used in this agreement, the following terms have the following meanings:

"Affiliate" means, with respect to any given Person, (1) any other Person at the time directly or indirectly controlling, controlled by or under common control with that Person, (2) any other Person of which that Person at the time owns or has the right to acquire, directly or indirectly, 10% or more on a consolidated basis of any class of the capital stock or other ownership interest, (3) any other Person which at the time owns or has the right to acquire, directly or indirectly, 10% or more of any class of the capital stock or other ownership interest of that Person, or (4) any director, officer or employee of that Person.

"Atlantic's Knowledge" means the actual knowledge after due inquiry of A. Joseph Rudick and Frederic P. Zotos.

"control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor law, and regulations issued by the IRS pursuant thereto.

"Consent" means any approval, consent, ratification, filing, declaration, registration, waiver, or other authorization (including any Permit).

"Contract" means any oral or written agreement, contract, obligation, promise, arrangement, or undertaking that is legally binding.

"Environmental Claim" means any notice of violation, action, claim, demand, abatement or other order by any Governmental Body or any other Person for personal injury (including sickness, disease or death), tangible or intangible property damage, damage to the environment, nuisance, pollution, contamination or other adverse effects an the environment, or for fines, penalties or restrictions resulting from or based upon the following:

- (1) the existence, or the continuation of the existence, of a Release (including, without limitation, sudden or non-sudden accidental or non-accidental Releases) of, or exposure to, any Hazardous Material in, into or onto the environment (including, without limitation, the air, soil, surface water or groundwater) at, in, by, from or related to any property owned, operated or leased by TeraComm or any activities or operations thereof;
- (2) the transportation, storage, treatment or disposal of Hazardous Materials in connection with any property owned, operated or leased by the seller or its operations or facilities; or
- (3) the violation, or alleged violation, of any Environmental Law or Order of any Governmental Body relating to environmental matters connected with any property owned, leased or operated by TeraComm.

"Environmental Law" means any Law relating to the environment, natural resources, or public or employee health and safety, and includes the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.ss.9601 et seq., the Hazardous Materials Transportation Act, 49 U.S.C.ss.1801 et seq., the Resource Conservation and Recovery Act, 42 U.S.C.ss.6901 et seq., the Clean Water Act, 33 U.S.C.ss.1251 et seq., the Clean Air Act, 33 U.S.C.ss.2601 et seq., the Toxic Substances Control Act, 15 U.S.C.ss.2601 et seq., the Oil Pollution Act of 1990, 33 U.S.C.ss.2701 et seq., and the Occupational Safety and Health Act, 29 U.S.C.ss.651 et seq.

"ERISA" means the Employee Retirement Income Security Act of 1974 or any successor law, and regulations and rules issued pursuant thereto.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor law, and any rules or regulations issued pursuant thereto.

"GAAP" means generally accepted United States accounting principles.

"Governmental Body" means any (1) nation, state, county, city, town, village, district, or other jurisdiction of any nature, (2) federal, state, local, municipal, foreign, or other government, (3) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal, including an arbitral tribunal), (4) multi-national organization or body, or (5) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature.

"Hazardous Material" means any substance, material or waste which is regulated under Environmental Law, including, without limitation, any material, substance or waste that is defined as a "hazardous waste," "hazardous material," or "hazardous substance" under any provision of Environmental Law.

"Intellectual Property Assets" means with respect to any Person the worldwide industrial and intellectual property rights of that Person, including without limitation patents, patent applications, patent rights, trademarks, trademark applications, trademark rights, service marks, service mark applications, service mark rights, copyrights, copyright applications, trade names, unfair competition rights, franchises, licenses, know-how, trade secrets, moral rights, rights of publicity, customer lists, proprietary information, technologies, processes and formulae, all source and object code, algorithm, architecture, structure, display screens, layouts, inventions, development tools, and all documentation and media constituting, describing or relating to the above, including, without limitation, manuals, memoranda and records in any format, whether hard copy or machine-readable only.

"IRS" means the United States Internal Revenue Service or any successor agency, and, to the extent relevant, the United States Department of the Treasury.

"Law" means any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

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

"Material Adverse Effect" means, with respect to any Person, a material adverse effect on the business, assets, properties, results of operations, or condition (financial or otherwise) of that Person.

"Order" means any award, decision, injunction, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, arbitral tribunal, administrative agency, or other Governmental Body.

"Ordinary Course of Business" means, with respect to an action taken by a Person, that that action is (1) consistent with the past practices of that Person and taken in the ordinary course of the normal day-to-day operations of that Person, and (2) is not required to be authorized by the board of directors of that Person (or by any Person or group of Persons exercising similar authority).

"Permit" means any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Body or pursuant to any Law.

"Permitted Lien" means (1) any Lien for taxes that are not yet due, or (2) any carrier's, warehouseman's, mechanic's, materialman's, repairman's, landlord's, lessor's or similar statutory Lien incidental to the ordinary course of business.

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

"Proceeding" means any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body.

"Release" means any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching, or migration on or into the indoor or outdoor environment or into or out of any property.

"Remedial Action" means all actions, including, without limitation, any capital expenditures, required by any Governmental Body to (1) clean up, remove, treat, or in any other way address any Hazardous Material or other substance, (2) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material or other substance so it does not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, (3) perform pre-remedial studies and investigations or post-remedial monitoring, or (4) bring facilities on any property owned, operated or leased by TeraComm and the facilities located and operations conducted thereon into compliance with all Environmental Laws.

"Representative" means with respect to a particular Person, any director, officer, employee, agent, consultant, advisor, or other representative of that Person, including legal counsel, accountants, and financial advisors.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, or any successor law, and rules or regulations issued pursuant thereto.

"Taxes" means all taxes, duties, assessments or governmental charges, including income, gross receipts, windfall profits, value added, severance, property, production, sales, use, license, excise, franchise, employment, withholding or similar taxes, together with any interest, additions

or penalties with respect thereto and any interest in respect of such additions or penalties, imposed by any Governmental Body having the power to tax.

"Tax Return" means any return (including any information return), report, statement, schedule, notice, form, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Law relating to any Tax.

"TeraComm's Knowledge" means the actual knowledge after due inquiry of Kenneth A. Puzey and Thomas G. Ference.

"Transaction Documents" means this agreement, the Registration Rights Agreement, the Stockholders Agreement, the Warrant, the Employment Agreements and the other documents to be executed and delivered by the parties as contemplated under this agreement.

#### ARTICLE 8 MISCELLANEOUS

8.1 Governing Law. This agreement is governed by the laws of the State of New York, without giving effect to principles of conflict of laws.

8.2 Jurisdiction; Service of Process. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, any of the Transaction Documents may be brought against any of the parties in the courts of the State of New York, County of New York, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York, and each of the parties consents to the jurisdiction of those courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any such action or proceeding may be served by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 8.3. Nothing in this Section 8.2, however, affects the right of any party to serve legal process in any other manner permitted by law.

8.3 Notices. Every notice or other communication required or contemplated by this agreement must be in writing and sent by one of the following methods: (1) personal delivery, in which case delivery is deemed to occur the day of delivery; (2) certified or registered mail, postage prepaid, return receipt requested, in which case delivery is deemed to occur the day it is officially recorded by the U.S. Postal Service as delivered to the intended recipient; or (3) next-day delivery to a U.S. address by recognized overnight delivery service such as Federal Express, in which case delivery is deemed to occur upon receipt. In each case, a notice or other communication sent to a party must be directed to the address for that party set forth below, or to another address designated by that party by written notice:



If to Atlantic, to:

Atlantic Technology Ventures, Inc.  
150 Broadway  
Suite 1009  
New York, NY 10038  
Attention: Frederic P. Zotos, President

with a copy to:

Kramer Levin Naftalis & Frankel LLP  
919 Third Avenue  
New York, NY 10022  
Attention: Ezra G. Levin, Esq.

If to TeraComm, to:

TeraComm Research, Inc.  
74 Ethan Allen Drive  
Suite 103  
South Burlington, VT 05403  
Attention: Kenneth A. Puzey, President

with a copy to:

Ireland, Stapleton, Pryor & Pascoe, P.C.  
1675 Broadway  
Suite 2600  
Denver, CO 80202  
Attention: Jack Lewis, Esq.

8.4 Severability. If any provision of this agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this agreement will remain in full force and effect. Any provision of this agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

8.5 Public Announcements. The parties shall cooperate with respect to any public statement regarding the transactions contemplated by this agreement or any of the other Transaction Documents.

8.6 Amendment. This agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

8.7 Entire Agreement. This agreement and the other Transaction Documents, together with all exhibits and schedules hereto and thereto, constitute the entire agreement among the parties pertaining to the subject matter hereof and thereof supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties.

8.8 Counterparts. This agreement may be executed in several counterparts, each of which is an original and all of which together constitute one and the same instrument.

8.9 No Third-Party Rights. Nothing expressed or referred to in this agreement gives any Person other than the parties to this agreement any legal or equitable right, remedy, or claim under or with respect to this agreement or any provision of this agreement, and this agreement and all of its provisions are for the sole and exclusive benefit of the parties to this agreement and their successors and assigns.

8.10 Best Efforts. Upon the terms and subject to the conditions of this agreement, each of the parties hereto agrees to use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this agreement or any of the other Transaction Documents as promptly as practicable.

The undersigned are executing this agreement on the date stated in the introductory clause.

ATLANTIC TECHNOLOGY VENTURES, INC.

By: \_\_\_\_\_  
A. Joseph Rudick  
Chief Executive Officer

TERACOMM RESEARCH, INC.

By: \_\_\_\_\_  
Kenneth A. Puzey  
President

=====

PREFERRED STOCK PURCHASE AGREEMENT

dated May \_\_, 2000,

between

TERACOMM RESEARCH, INC.

and

ATLANTIC TECHNOLOGY VENTURES, INC.

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AMENDMENT TO  
PREFERRED STOCK PURCHASE AGREEMENT

This Amendment to the Preferred Stock Purchase Agreement dated May 12, 2000 (the "Purchase Agreement"), by and between TeraComm Research, Inc. ("TeraComm") and Atlantic Technology Ventures, Inc. ("Atlantic") is dated as of July 18, 2000 (the "Amendment").

WHEREAS, Atlantic has since the date of the Purchase Agreement made Subsequent Payments to TeraComm in the amount of \$750,000; and

WHEREAS, the parties wish to modify their rights and obligations with respect to Subsequent Payments under the Purchase Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Schedule 1.2 of the Purchase Agreement is hereby amended to provide that the remaining \$4 million of Subsequent Payments (including the \$1 million payments due on August 12, 2000 and November 12, 2000) are not be due and payable until the Technology Milestone attached hereto as Attachment A has been achieved. Within ten (10) days of TeraComm's achieving the Technology Milestone, Atlantic shall make the \$1 million Subsequent Payment currently due on August 12, 2000 (the "Second Subsequent Payment") and shall thereafter make the remaining three \$1 million Subsequent Payments on the next three-month anniversary dates of the date of such first \$1 million Subsequent Payment. The other provisions of Section 1.2 shall remain in effect, including subparagraph (b) with respect to failure to make timely Subsequent Payments.

2. TeraComm shall keep the representatives of Atlantic on the TeraComm Board of Directors informed as to progress toward achieving the Technology Milestone. If TeraComm believes it has achieved the Technology Milestone, it will notify Atlantic in writing thereof. If Atlantic disagrees that TeraComm has achieved the Technology Milestone, it shall so state in writing within five (5) business days of the notice from TeraComm. If the matter cannot be resolved within the following ten (10) business days by discussions between the parties, the matter shall be deemed submitted to arbitration administered by the American Arbitration Association in accordance with its commercial arbitration rules. The place of arbitration shall be Boston, Massachusetts. With respect to the arbitration, the parties will attempt to agree on an arbitrator with sufficient background in fiberoptic communications development to determine the dispute. If the parties cannot agree on such person within thirty (30) days of submission of the matter to arbitration, each party shall pick an arbitrator with relevant experience and those two parties shall pick a third arbitrator, and all three will hear the arbitration.

3. Failure of Atlantic to make the Second Subsequent Payment by midnight at the end of December 30, 2000 (whether or not TeraComm has reached the Technology Milestone), will at the election of TeraComm be deemed to constitute failure by Atlantic to timely make a Subsequent Payment. That election must be voted on by the Board of Directors of TeraComm, with all members entitled to participate in the decision (regardless of conflict of interest).

4. All terms used as defined terms herein and not otherwise defined herein shall have the meaning given them in the Purchase Agreement.

5. This Amendment amends the Purchase Agreement only to the extent stated herein. All other provisions of the Purchase Agreement shall remain in full force and effect.

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

TERACOMM RESEARCH, INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

ATLANTIC TECHNOLOGY VENTURES,  
INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Neither the warrant represented by this certificate (the "Warrant") nor the shares issuable upon exercise thereof (the "Warrant Shares") have been registered under the Securities Act of 1933, as amended (the "Act"), or registered or qualified under applicable state securities laws. Atlantic Technology Ventures, Inc. (the "Company") is not required to give effect to any transfer of the Warrant or the Warrant Shares unless (1) there is an effective registration statement under the Act with respect to the Warrant or the Warrant Shares, as applicable, and the Warrant or the Warrant Shares, as applicable, are registered or qualified under applicable state securities laws, or (2) the holder of the Warrant provides to the Company an opinion of counsel reasonably acceptable to the Company to the effect that such transfer may be made without registration under the Act and applicable state securities laws.

ATLANTIC TECHNOLOGY VENTURES, INC.  
WARRANT CERTIFICATE

This warrant certificate certifies that TeraComm Research, Inc., or its permitted assigns (the "Holder"), is the owner of a warrant (the "Warrant") entitling it at any time prior to the Expiration Date to purchase from Atlantic Technology Ventures, Inc., a Delaware corporation (the "Company"), for a purchase price of \$8.975 per share (the "Exercise Price"), 200,000 shares of common stock, par value \$0.001 per share, of the Company (the "Common Stock"; those shares, "Warrant Shares"), the number of Warrant Shares and the Exercise Price being subject to adjustment as provided herein.

1. Exercise; Expiration Date. (a) The Warrant is exercisable, at the option of the Holder, in whole or in part at any time after issuance and prior to the Expiration Date upon surrender of this warrant certificate to the Company, together with a duly completed Notice of Exercise in the form attached hereto as Annex A and payment of an amount equal to the Exercise Price, on condition that on the day this warrant certificate is surrendered to the Company the Current Market Price of the Common Stock is at least \$30. "Expiration Date" means 5:00 p.m. New York time on May 12, 2003.

2. Partial Exercise. The Warrant may be exercised in part by surrender of this Warrant Certificate in the manner provided in Section 1, except that the amount payable by the Holder on such partial exercise is the amount obtained by multiplying the number of Warrant Shares designated by the Holder in the Notice of Exercise by the Exercise Price then in effect. On any such partial exercise the Company at its expense must forthwith issue and deliver to or upon the order of the Holder a warrant certificate in the name of the Holder or as the Holder (upon payment by the Holder of any applicable transfer taxes) requests containing terms substantially identical to those contained in this Warrant Certificate evidencing a warrant for a number of warrant shares equal to the number of Warrant Shares remaining unpurchased.

3. Registration and Transfer on Company Books. (a) Prior to due presentment for registration of transfer of this warrant certificate or the Warrant Shares, the Company may deem and treat the Holder as the absolute owner thereof, regardless of any notice to the contrary.

(b) The Company shall register upon its books any transfer of this warrant certificate upon its surrender to the Company with a written instrument of transfer duly executed

by the Holder or by a duly authorized attorney. Upon registration of transfer, the Company shall issue a new Warrant Certificate to the transferee and shall cancel the surrendered Warrant Certificate.

(c) Neither the Warrant nor the Warrant Shares have been registered under the Securities Act of 1933, as amended (the "Act"), or registered or qualified under applicable state securities laws. The Company is not required to give effect to any transfer of the Warrant or the Warrant Shares unless (1) there is an effective registration statement under the Act with respect to the Warrant or the Warrant Shares, as applicable, and the Warrant or the Warrant Shares, as applicable, are registered or qualified under applicable state securities laws, or (2) the Holder provides to the Company an opinion of counsel reasonably acceptable to the Company to the effect that such transfer may be made without registration under the Act and applicable state securities laws.

4. Limited Transferability. The Holder may not without the prior written consent of the Company transfer the Warrant or any Warrant Shares, which consent may not be unreasonably withheld.

5. Reservation of Shares. The Company shall at all times reserve and keep available out of its authorized capital stock, solely for the purpose of issue upon exercise of the Warrant, the number of shares of capital stock then issuable upon the exercise of the Warrant. The Company shall upon issue cause all Warrant Shares to be duly and validly issued and fully paid and non-assessable and free from all taxes, liens and charges with respect to the issue thereof, and shall cause the Warrant Shares to be listed on each national securities exchange, if any, on which the other shares of Common Stock are then listed.

6. Loss or Mutilation. The Company shall execute and deliver a new



Warrant Certificate in lieu of one that has been lost, stolen, destroyed or mutilated upon receipt by the Company of reasonable evidence of ownership and either indemnity reasonably satisfactory to the Company (in the case of loss, theft or destruction) or surrender and cancellation of a mutilated Warrant Certificate.

7. Adjustment of Purchase Price and Number of Warrant Shares. The number of Warrant Shares and the Purchase Price are subject to adjustment as follows:

- (1) If at any time after the date hereof the Company (A) declares a dividend or makes a distribution on its outstanding shares of Common Stock payable in shares of its capital stock, (B) subdivides its outstanding shares of Common Stock through stock split or otherwise, (C) combines its outstanding shares of Common Stock into a smaller number of shares of Common Stock, or issues by reclassification of its Common Stock (including any reclassification in connection with a consolidation or merger in which the Company is the continuing corporation) other securities of the Company, the number or nature, or both, of the Warrant Shares on the record date thereof (in the case of a dividend) or at the effective time thereof (in the case of a subdivision, combination or reclassification) will be adjusted so as to entitle the Holder to receive after such time the number and nature of Warrant Shares or other securities of the Company which the

Holder would have been entitled to receive by virtue of any of the events described above, had the Warrant been exercised immediately prior to such time.

- (2) If the Company issues rights, options or warrants or securities convertible into Common Stock to the holders of its shares of Common Stock generally, entitling them (for a period expiring within 45 days after the record date for such issuance) to subscribe for or purchase shares of Common Stock at a price per share which (together with the value of the consideration, if any, payable for such rights, options, warrants or convertible securities) is lower on the record date referred to below than the then Exercise Price, the number of Warrant Shares must be adjusted by multiplying the number of Warrant Shares immediately prior to that record date by a fraction, the numerator of which is the number of shares of Common Stock outstanding on that record date plus the number of additional shares of Common Stock offered for subscription or purchase, and the denominator of which is the number of shares of Common Stock outstanding on that record date plus the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the then Exercise Price. Such an adjustment must be made whenever such rights, options, warrants or convertible securities are issued, and will become effective retroactively as of the record date for the determination of stockholders entitled to receive such rights, options, warrants or convertible securities, except that (A) on the expiration or termination of any such rights, options, warrants or convertible securities in respect of which any adjustments have been made pursuant to this Section 7(a)(2), the number of Warrant Shares in effect immediately prior to the time of such expiration or termination must forthwith be adjusted to the number that would have been obtained had the adjustments made upon the issue of such rights, options, warrants or convertible securities not been made, and (B) in the event that the exercise price or purchase price in respect of any such rights, options, warrants or convertible securities is increased or reduced, then for purposes of this Section 7(a)(2) such initial rights, options, warrants or convertible securities will be deemed to have been cancelled or terminated and new rights, options, warrants or convertible securities with the altered exercise or purchase price will be deemed to have been issued. If the exercise price or subscription price in respect of any such rights, options, warrants or convertible securities may be paid partly or entirely in a form other than cash, the value of this consideration must be determined in good faith by the Board of Directors of the Company, whose determination will be final, binding and conclusive on the Company and on the Holder.
- (3) If the Company distributes to all holders of shares of Common Stock, or all holders of Common Stock otherwise become entitled to receive shares of capital stock of the Company (other than dividends or distributions on its Common Stock referred to in Section 7(a)(1)), evidences of its indebtedness or rights, options, warrants or convertible securities providing the right to subscribe for or purchase any shares of the Company's capital stock or evidences of its indebtedness (other than any rights, options, warrants or convertible securities referred to in Section 7(a)(2)), then in each case the number of Warrant Shares shall thereafter be determined by multiplying the number of Warrant Shares prior thereto by a fraction, the numerator of which is the Current Market Price on the record date mentioned below in this Section 7(a)(3), and the denominator of which is the Current Market Price on such record date minus the then fair value (as determined by

the Board of Directors of the Company, in good faith, whose determination will be final, binding and conclusive on the Company and the Holder) of the shares of the Company's capital stock other than Common Stock, evidences of indebtedness, or of such rights, options, warrants or convertible securities, distributed with respect to each share of Common Stock. Such adjustment must be made whenever any such distribution is made, and is effective retroactively as of the record date for the determination of stockholders entitled to receive such distribution.

- (4) In the event of any capital reorganization or any reclassification of the capital stock of the Company or in case of the consolidation or merger of the Company with another corporation (other than a consolidation or merger in which the outstanding shares of Common Stock are not converted into or exchanged for other rights or interests and other than a reclassification to which Section 7(a)(1)(D) applies), or in the case of any sale, transfer or other disposition to another corporation of all or substantially all the properties and assets of the Company, the Holder will thereafter be entitled to purchase (and it must be a condition to the consummation of such reorganization, reclassification, consolidation, merger, sale, transfer or other disposition that the Holder thereafter be entitled to purchase) the number and nature of shares of stock and other securities and property (including cash) which the Holder would have been entitled to receive had the Warrant been exercised immediately prior to the effective date of such reorganization, reclassification, consolidation, merger, sale, transfer or other disposition; and in any such case appropriate adjustments must be made in the application of the provisions of this Section 7 with respect to rights and interest thereafter of the Holder to the end that the provisions of this Section 7 thereafter be applicable, as near as reasonably may be, in relation to any shares or other property thereafter purchasable upon the exercise of the Warrant. The provisions of this Section 7(a)(4) are similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales, transfers or other dispositions.
- (5) Whenever the number of Warrant Shares purchasable upon the exercise of the Warrant is adjusted, as provided in this Section 7(a), the Exercise Price must be adjusted by multiplying the Exercise Price immediately prior to such adjustment by a fraction, the numerator of which is the number of Warrant Shares immediately prior to such adjustment, and the denominator of which is the number of Warrant Shares immediately thereafter.

(b) In the event the Company declares a dividend, or makes a distribution to the holders of shares of Common Stock generally, whether in cash, property or assets of any kind, or any dividend payable in stock or securities of any other issuer owned by the Company (excluding cash dividends payable out of current or retained earnings declared from time to time by the Company's Board of Directors or any dividend or distribution referred to in Section 7(a)(1) or Section 7(a)(3)), the Exercise Price will be reduced, without any further action by the parties hereto, by the Per Share Value (as hereinafter defined) of the dividend. For purposes of this Section 7(b), the "Per Share Value" of a cash dividend or other distribution shall be the dollar amount of the distribution on each share of Common Stock and the "Per Share Value" of any dividend or distribution other than cash is equal to the fair market value of such non-cash distribution on each share of Common Stock as determined in good faith by the Board

of Directors of the Company, whose determination will be final, binding and conclusive on the Company and the Holder.

(c) If the Company at any time or from time to time issues any shares of Common Stock or rights to acquire Common Stock (other than shares or rights issued in any transactions covered by Section 7(a) or 7(b)), for a consideration per share less than the Exercise Price in effect on the date of such issue, then, forthwith upon such issue, the Exercise Price will be reduced to a price determined by dividing (1) the sum of (A) the number of shares of Common Stock outstanding immediately prior to such issue multiplied by the Exercise Price in effect immediately prior to such issue, plus (B) the consideration, if any, received by the Company upon such issue, by (2) the number of shares of Common Stock outstanding immediately after such issue. In addition to such adjustment to the Exercise Price, the number of Warrant Shares will be increased to a number determined by dividing (x) the number of Warrant Shares immediately prior to such issue, multiplied by the Exercise Price in effect immediately prior to such issuance, by (y) the Exercise Price in effect immediately after the foregoing adjustment. For the purpose of the above determination, the following provisions are applicable:

- (1) If the Company in any manner issues any options, warrants or other rights to subscribe for or to purchase shares of Common Stock, then, for the purposes of this Section 7(c), (A) all shares which the holders of such rights will be entitled thereby to subscribe for or purchase will be deemed to be issued as of the date of issue of such rights, and (2) the minimum aggregate consideration payable pursuant to such rights for the shares covered thereby, plus the consideration, if any, received by the Company for such rights, will be deemed to be the consideration actually received by the Company (as of the date of the issue of such rights) for the issue of the total number of shares underlying such rights, except that (A) on the expiration or termination of any such options or rights in respect of which any adjustments are made pursuant to this Section 7(c)(1), the Exercise Price in effect immediately prior to the time of such expiration or termination will forthwith be adjusted to such Exercise Price as would have been obtained had the adjustments made upon the issue of such options or rights not been made and (B) in the event that the exercise price or purchase price in respect of any such options or rights is increased or reduced, then for purposes of this Section 7(c)(1) such initial option or right will be deemed to have been cancelled or terminated and a new option or right with the altered exercise or purchase price will be deemed to have been issued.
- (2) If the Company in any manner issues any securities or obligations directly or indirectly convertible into or exchangeable for shares of Common Stock, then, for the purposes of this Section 7(c), (A) all shares to which holders of such securities or obligations will thereby be entitled upon conversion or exchange will be deemed issued as of the date of issue of such securities or obligations, and (B) the aggregate amount received or receivable by the Company in consideration for the issue of such securities or obligations, plus the minimum aggregate amount of additional consideration, if any, payable upon conversion or exchange of such securities or obligations, will be deemed to be the consideration actually received (as of the date of the issue of such securities or obligations) for issuance of the total number of shares issuable upon conversion or exchange of such securities or obligations, except that (1) on the expiration or termination of any such right to convert or exchange any such convertible or exchangeable securities

in respect of which any adjustments are made pursuant to this Section 7(c)(2), the Exercise Price in effect immediately prior to the time of such redemption, expiration or other termination shall forthwith be adjusted to such Exercise Price as would have been obtained had the adjustments made upon the issue of such convertible or exchangeable securities not been made, and (2) in the event that the exercise price, purchase price, exchange price or ratio in respect of any convertible or exchangeable security is increased or reduced, then for purposes of this Section 7(c)(2) such convertible or exchangeable security will be deemed to have expired or been terminated and a new convertible or exchangeable security with the altered exercise price, purchase price or exchange price or ratio will be deemed to have been issued.

- (3) The consideration received by the Company for any shares of Common Stock, or rights to acquire Common Stock, is deemed to be the proceeds received for such shares or rights, excluding cash received on account of accrued interest or accrued dividends and before deducting therefrom any and all commissions and expenses paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issue of such shares or rights.
- (4) No adjustment of the Exercise Price or the Warrant Shares will be made as a result of or in connection with the issuance of any shares of Common Stock or options to purchase Common Stock issued in connection with any duly authorized employee stock option plan, stock purchase plan or restricted stock award plan of the Company.
- (5) For the purposes of this Section 7(c), (1) the term "issue" or "issuance" of shares or securities by the Company is deemed to include any issuance, sale or other disposition of shares or securities of the Company, including shares held in the treasury of the Company, (2) the term "Common Stock" includes any capital stock of the Company, other than preferred stock, with a fixed limit on dividends and a fixed amount payable in the event of any liquidation, and (3) in no event will the Exercise Price be increased, or the number of Warrant Shares decreased, as a result of the provisions of this Section 7(c).

(d) No adjustment in the number of Warrant Shares, or in the Exercise Price, is required unless such adjustment would require an increase or decrease of at least 3% in the number of Warrant Shares or in the Exercise Price, except that any adjustments which by reason of this Section 7(d) are not required to be made will be carried forward and taken into account in any subsequent adjustment. All final results of adjustments to the number of Warrant Shares and the Exercise Price must be rounded to the nearest one hundredth of a share or the nearest cent, as the case may be. Anything in this Section 7 to the contrary notwithstanding, the Company is entitled, but not required, to make such changes in the number of Warrant Shares or in the Exercise Price, in addition to those required by this Section 7, as it in its discretion determines to be advisable in order to ensure that any dividend or distribution in shares of Common Stock, subdivision, reclassification or combination of shares of Common Stock, issuance of rights, warrants or options to purchase Common Stock, or distribution of shares of stock other than Common Stock, evidences of indebtedness or assets (other than distributions of cash out of retained earnings) or convertible or exchangeable securities hereafter made by the Company to the holders of its Common Stock does not result in any tax to the holders of Common Stock or securities convertible into Common Stock.

(e) Whenever the number of Warrant Shares or the Exercise Price is adjusted, as herein provided, the Company shall mail to the Holder, at the address of the Holder shown on the books of the Company, a notice of such adjustment or adjustments, prepared and signed by the Chief Financial Officer or Secretary of the Company, setting forth the number of Warrant Shares and the Exercise Price after such adjustment, a brief statement of the facts requiring such adjustment and the computation by which such adjustment was made. In the absence of manifest error, this computation will be final, binding and conclusive on the Company and the Holder.

(f) In the event that at any time prior to the Expiration Date and prior to exercise of the Warrant:

- (1) the Company declares any distribution (other than a cash dividend or a dividend payable in securities of the Company with respect to the Common Stock); or
- (2) the Company offers for subscription to the holders of the Common Stock any additional shares of stock of any class or any other securities convertible into Common Stock or any rights to subscribe thereto; or
- (3) the Company declares any stock split, stock dividend, subdivision, combination, or similar distribution with respect to the Common Stock, regardless of the effect of any such event on the outstanding number of shares of Common Stock; or
- (4) the Company declares a dividend, other than a dividend payable in shares of the Company's own Common Stock; or
- (5) there is any capital change in the Company as set forth in Section 7(a)(4); or
- (6) there is a voluntary or involuntary dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger or sale of all or substantially all of its property, assets and business as an entity);

(each such event hereinafter being referred to as a "Notification Event"), the Company shall cause to be mailed to the Holder, not less than 20 days prior to the record date, if any, in connection with such Notification Event (or as soon as practicable, if there is no record date, or if 20 days prior notice is impracticable) written notice specifying the nature of such event and the effective date of, or the date on which the books of the Company will close or a record will be taken with respect to, such event. Such notice must also set forth facts indicating the effect of such action (to the extent this effect is known at the date of such notice) on the Exercise Price and the kind and amount of the shares of stock or other securities or property deliverable upon exercise of the Warrant.

(g) The form of Warrant Certificate need not be changed because of any change in the number of Warrant Shares or the Exercise Price, and any Warrant Certificate issued before or after such change may state the same number of Warrant Shares and the same Exercise Price as stated in the Warrant Certificates theretofore issued. The Company may, however, at any time, in its sole discretion, make any change in the form of Warrant Certificate that it deems appropriate and that does not affect the substance thereof, and any Warrant

Certificates thereafter issued or countersigned, whether in exchange or substitution for an outstanding Warrant Certificate or otherwise, may be in the form as so changed.

8. Conversion Rights. (a) In lieu of exercise of the Warrant, the Warrant may, at the election of the Holder, be converted into the nearest whole number of shares of Common Stock equal to: (1) the product of (A) the number of shares of Common Stock then issuable upon the exercise of the Warrant and (B) the excess, if any, of (i) the Current Market Price (as determined pursuant to Section 11) on the date of conversion over (ii) the Exercise Price in effect on the business day next preceding the date of conversion, divided by (2) the Current Market Price on the date of conversion. The Holder shall pay any applicable withholding taxes with respect to any such conversion.

(b) The conversion rights provided under this Section 8 may be exercised in whole or in part and at any time and from time to time. In order to exercise the conversion privilege, the Holder must surrender to the Company, at its offices, this warrant certificate accompanied by a duly completed Notice of Conversion in the form attached hereto as Annex B. The Warrant shall be deemed to have been converted immediately prior to the close of business on the day of surrender of the Warrant Certificate for conversion in accordance with the foregoing provisions. As promptly as practicable on or after the conversion date, the Company shall issue and shall deliver to the Holder a certificate or certificates representing the number of shares of Common Stock to which the Holder is entitled as a result of the conversion.

9. Voluntary Adjustment by the Company. The Company may, at its option, at any time reduce the then current Exercise Price to any amount deemed appropriate by the Board of Directors of the Company or extend the Expiration Date, or both.

10. Fractional Shares. Anything contained herein to the contrary notwithstanding, the Company is not required to issue any fraction of a share of Common Stock in connection with the exercise of the Warrant. Upon exercise of the Warrant, the Company shall issue to the Holder the largest aggregate whole number of shares of Common Stock called for thereby upon receipt of the aggregate Exercise Price and shall pay a sum in cash equal to the remaining fraction of a share of Common Stock, multiplied by the Current Market Price (as determined pursuant to Section 11) as of the last business day preceding the date on which the Warrant is presented for exercise.

11. Determination of Current Market Price. (a) As used herein, "Current Market Price" means, as of each date of determination, the following:

- (1) if there is a public market for the Common Stock, the average of the daily market price per share of Common Stock for 10 consecutive business days before the date of determination and 10 consecutive business days after that date; and
- (2) if there is no such public market, the Appraised Value Per Share.

(b) The daily market price for each Business Day is as follows:

- (1) the last sale price on that Business Day on the principal stock exchange on which the Common Stock is then listed or admitted to trading;

- (2) if no sale takes place on that Business Day on any that exchange, the average of the last reported closing bid and asked prices on that Business Day as officially quoted on that exchange;
- (3) if the Common Stock is not then listed or admitted to trading on any stock exchange, the average of the last reported closing bid and asked prices on that Business Day in the over-the-counter market, as furnished by the NASD's Automatic Quotation System or the National Quotation Bureau, Inc.;
- (4) if neither NASD's Automatic Quotation System nor the National Quotation Bureau, Inc. is at the time engaged in the business of reporting such prices, as furnished by any similar Person then engaged in that business; or
- (5) if there is no such Person, as furnished by any member of the NASD selected by the Holder and the Company or, if they cannot agree upon such selection, as selected by two such members of the NASD, one of which is selected by the Holder and one of which is selected by the Company.

(c) As used in this warrant certificate, "Appraised Value Per Share" means, as of each date of determination, the fair saleable value of the Common Stock as of the last day of the most recent fiscal month ending prior to such date divided by the number of Fully Diluted Outstanding shares of Common Stock. The Appraised Value Per Share must be made by an investment banking firm of nationally recognized standing selected jointly by the Holder and the Company. If the Holder and the Company are unable to agree upon an investment banking firm, then the Holder and the Company shall each choose one such investment banking firm and the respective chosen firms must agree on another investment banking firm, which must make the determination. The Company shall retain, at its sole cost, the investment banking firm responsible for determining the Appraised Value Per Share. The Appraised Value Per Share must (1) be determined on a consolidated basis without giving effect to any discount for (A) minority interest or (B) any lack of liquidity of the Common Stock or, if applicable, the Company not having any class of equity registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (2) must be based on the sale of the Company in an arms'-length sale between a willing buyer and a willing seller with neither acting under compulsion.

12. Tax. The issuance of any shares or other securities upon the exercise of the Warrant, and the delivery of certificates or other instruments representing such shares or other securities, will be without charge to the Holder for any tax or other charge in respect of such issuance. The Company is not, however, required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of any certificate in a name other than that of the Holder and the Company is not required to issue or deliver any such certificate unless and until the person or persons requesting the issue thereof have paid to the Company the amount of such tax or have established to the satisfaction of the Company that such tax has been paid.

13. Legend. Unless registered pursuant to the provisions of the registration rights agreement between TeraComm Research, Inc. and the Company dated the date of this warrant certificate, the Warrant Shares issued on exercise of the Warrants will be subject to a stop



transfer order and the certificate or certificates representing the Warrant Shares must bear the following legend:

The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Act"), or registered or qualified under applicable state securities laws. TeraComm Research, Inc. (the "Company") is not required to give effect to any transfer of these securities unless (1) there is an effective registration statement under the Act with respect to these securities and these securities are registered or qualified under applicable state securities laws, or (2) the Company is provided with an opinion of counsel reasonably acceptable to the Company to the effect that such transfer may be made without registration under the Act and applicable state securities laws.

14. No Rights as Stockholder. The Holder does not have solely on account of that status any rights of a stockholder of the Company, either at law or in equity, or to any notice of meetings of stockholders or of any other proceedings of the Company, except as provided in this warrant certificate.

15. Notices. Every notice or other communication required or contemplated by this Warrant must be in writing and sent by one of the following methods: (1) personal delivery, in which case delivery is deemed to occur the day of delivery; (2) transmission by telecopy with acknowledgement of receipt, in which case delivery is deemed to occur the day of transmission; (3) certified or registered mail, postage prepaid, return receipt requested, in which case delivery is deemed to occur the day it is officially recorded as delivered to the intended recipient; or (4) next-day delivery to a U.S. address by recognized overnight delivery service such as Federal Express, in which case delivery is deemed to occur the day of delivery. In each case, a notice or other communication sent to a party must be directed to the coordinates for that party set forth below, or to other coordinates designated by that party by written notice:

if to the Holder, at its last known address appearing on the books of the Company maintained for such purpose; and

if to the Company at:

Atlantic Technology Ventures, Inc.  
150 Broadway  
Suite 1009  
New York, NY 10038  
Attention: Frederic P. Zotos, President

16. Governing Law. This warrant certificate is governed by the laws of the State of New York without regard to principles of conflict of laws.

The Company is executing this warrant certificate on May 12, 2000.

ATLANTIC TECHNOLOGY VENTURES, INC.

By: \_\_\_\_\_  
A. Joseph Rudick  
Chief Executive Officer

NOTICE OF EXERCISE

The undersigned hereby irrevocably elects to exercise the Warrant owned by the undersigned pursuant to the accompanying Warrant Certificate for, and to purchase thereunder, \_\_\_\_\_ shares of common stock, par value \$0.001 per share, of Atlantic Technology Ventures, Inc., and herewith makes payment of the Exercise Price (as defined in the Warrant Certificate) of those shares in full as provided in the Warrant Certificate.

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

Address of Holder:  
  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NOTICE OF CONVERSION

The undersigned hereby irrevocably elects to convert, pursuant to Section 8 of the Warrant Certificate accompanying this Notice of Conversion, the Warrant owned by the undersigned pursuant to the accompanying Warrant Certificate into shares of common, par value \$.01, of the Company (the "Common Stock").

The number of shares of Common Stock to be received by the undersigned is to be calculated in accordance with the provisions of Section 8 of the accompanying Warrant Certificate.

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

Address of Holder:  
  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## STOCKHOLDERS AGREEMENT

This stockholders agreement is dated May 12, 2000, and is between TERACOMM RESEARCH, INC., a Delaware corporation ("TeraComm"), each of the stockholders of TeraComm listed on Exhibit A (each a "Common Stockholder"), and ATLANTIC TECHNOLOGY VENTURES, INC., a Delaware corporation ("Atlantic"; together with all other holders of Preferred Stock, the "Preferred Stockholders"; and the Preferred Stockholders together with the Common Stockholders, each a "Stockholder").

The Common Stockholders each hold shares of common stock, par value \$0.001, of TeraComm (the "Common Stock").

Atlantic and TeraComm are concurrently with execution and delivery of this agreement entering into a stock purchase agreement (the "Stock Purchase Agreement") pursuant to which TeraComm is issuing to Atlantic 1,400 shares of Series A preferred stock, par value \$0.001 per share, of TeraComm (the "Preferred Stock"; together with the Common Stock, the "Capital Stock").

TeraComm and each of the Stockholders desire, for their mutual benefit and protection, to enter into this agreement to set forth their respective rights and obligations with respect to their shares of Capital Stock.

TeraComm and the Stockholders therefore agree as follows:

ARTICLE 1  
CORPORATE GOVERNANCE AND MANAGEMENT

1.1 Voting. The Stockholders hold all shares of Capital Stock registered in their respective names or beneficially owned by them as of the date of this agreement (and any shares of Capital Stock legally or beneficially acquired by each of them after the date of this agreement) subject to, and shall vote those shares of Capital Stock in accordance with, the provisions of this agreement.

1.2 Election of Directors. (a) Immediately following execution and deliver of this agreement, and any time thereafter TeraComm's stockholders act to elect members of TeraComm's board of directors, the Stockholders shall take such actions (whether by vote in person, by proxy or by written consent) required to establish at five the number of members of TeraComm's board of directors, and to elect as those members two individuals designated by the Preferred Stockholders and three individuals designated by the Common Stockholders, except that if at anytime the Preferred Stockholders own fewer than 1,400 shares of Preferred Stock, they will only have the right to designate only one member of TeraComm's board of directors.

(b) No designee of the Preferred Stockholders on TeraComm's board of directors may be removed without the consent of the Preferred Stockholders. If the Preferred Stockholders notify the Common Stockholders that they wish to have removed a designee of the Preferred Stockholders on TeraComm's board of directors, the Common Stockholders shall take such

actions, or cause their designees on TeraComm's board of directors to cause TeraComm to take such actions, as are required to remove that designee. In the event that a member of TeraComm's board of directors resigns, is removed or is otherwise unable to serve in that capacity, the Stockholder or Stockholders entitled to designate that member shall designate a replacement and the Stockholders shall take such actions, or cause their designees on TeraComm's board of directors to cause TeraComm to take such actions, as are required to elect the replacement member.

(c) Atlantic hereby designates A. Joseph Rudick and Frederic P. Zotos as the initial designees of the Preferred Stockholders on TeraComm's board of directors, and the Common Stockholders designate Kenneth A. Puzey, Thomas G. Ference and Nancy Hamilton as their initial designees on TeraComm's board of directors, to be elected to TeraComm's board of directors immediately following execution and deliver of this agreement.

ARTICLE 2  
TRANSFER OF SHARES OF CAPITAL STOCK

2.1 Restrictions on Transfer. (a) No Stockholder may sell, assign, exchange, give, pledge, mortgage or otherwise transfer (collectively, "transfer"; the act of so doing, a "transfer") any of the shares of Capital Stock currently owned by it, or any other shares of Capital Stock that it acquires, or any right or interest therein, whether voluntarily or involuntarily, by operation of law or otherwise, except in accordance with the terms of this agreement and in compliance with any and all applicable Federal and state securities laws. Any such purported transfer in violation of this agreement will be void.

(b) If a Stockholder transfers its shares of Capital Stock to a Person that is not a Stockholder, that transfer will only be valid if the Person acquiring those shares agrees in writing, prior to the transfer, to be bound by the terms of this agreement to the same extent that the transferring Stockholder was bound by this agreement immediately prior to the transfer. If that Person so

agrees, then upon completion of the transfer it will become a party to this agreement.

2.2 Transfers to Related Transferees. Each Stockholder may freely transfer Shares to any Related Transferee.

2.3 Right of First Refusal. (a) Subject to Section 2.1(b), if at any time any Common Stockholder proposes to transfer any of its shares of Common Stock to any Person other than the Preferred Stockholders (that Common Stockholder, a "Selling Stockholder"), the Selling Stockholder shall give written notice to the Preferred Stockholders describing fully and accurately the proposed transfer, including the number of shares of Common Stock it proposes to transfer, the identity of the proposed transferee (the "Outside Party"), and the proposed price and payment terms of the proposed transfer (that notice, the "Transfer Notice"). The payment terms of the contemplated transfer to the Outside Party from the Selling Stockholder must be expressed in terms of cash, cash equivalents (such as certificates of deposit, shares of stock in publicly-traded companies, and the like) or a promissory note of the Outside Party payable on one or more

dates specified in the Transfer Notice. The Outside Party's offer must be a bona fide written offer of a Person other than TeraComm.

(b) At any time within the 10-day period immediately following the Preferred Stockholders' receipt of the Transfer Notice, the Preferred Stockholders may by written notice to the Selling Stockholder elect to purchase all the shares of Common Stock subject to the Transfer Notice (the "Refusal Shares") at the price per share set forth in the Transfer Notice (this right, the "Right of First Refusal").

(c) The closing of any purchase of the Refusal Shares by the Preferred Stockholders pursuant to the Right of First Refusal must be held at TeraComm's offices on a date and at a time designated by the Preferred Stockholders in their notice of exercise of the Right of First Refusal, but the closing must be held no later than 60 days after delivery of the Transfer Notice.

(d) If the Preferred Stockholders fail to exercise timely the Right of First Refusal upon the terms set forth in the Transfer Notice, or elect to purchase the Refusal Shares, but fail to close the purchases of the Refusal Shares within the period specified therefor in Section 2.3(c), then the Selling Stockholder may not later than 120 days following delivery of the Transfer Notice transfer the Refusal Shares on the terms described in the Transfer Notice. Any proposed transfer on terms materially different to those described in the Transfer Notice, as well as any proposed transfer by the Selling Stockholder after the expiration of the 120-day period, will again be subject to the Right of First Refusal, and in connection with any such proposed transfer the Selling Stockholder must comply with the procedure described in this Section 2.3.

(e) At any closing under this Section 2.3 any Selling Stockholder effecting a transfer of shares of Common Stock shall deliver, against wire transfer of payment for those shares to an account designated in writing by that Selling Stockholder, certificates representing those shares duly endorsed in blank or accompanied by appropriate duly-executed assignments or stock powers for transfer.

2.4 Involuntary Transfer. Without limiting the effect of Sections 2.1 and 2.2, in the case of any purported transfer of title to or beneficial ownership of any shares of Capital Stock upon default, foreclosure, forfeit, court order, or otherwise than by a voluntary decision on the part of a Stockholder (an "Involuntary Transfer"), that Stockholder (or its legal representatives) shall promptly (but in no event later than two business days after that Involuntary Transfer) furnish written notice to TeraComm indicating that the Involuntary Transfer has occurred, specifying the name of the Person to whom the shares have been transferred, and giving a detailed description of the circumstances giving rise to, and stating the legal basis for, the Involuntary Transfer.

2.5 Improper Transfer. Any attempt to transfer any shares of Capital Stock in violation of this agreement will be null and void, and TeraComm shall not give any effect to such attempted transfer in its stock records.

ARTICLE 3  
RIGHT OF PARTICIPATION

3.1 Right of Participation. Subject to the terms of this Section 3.1, TeraComm hereby grants to each Stockholder the right to purchase that Stockholder's Pro Rata Portion of any New Securities that TeraComm may, from time to time, propose to sell and issue. A Stockholder's "Pro Rata Portion" for purposes of this Section 2.1 is the ratio of (1) the sum of the number of shares of Common Stock then held by that Stockholder and the number of shares of Common Stock then issuable upon conversion of outstanding securities convertible into or exercisable for shares of Common Stock (including shares of Preferred Stock) held by that Stockholder bears to (2) the sum of the total number of shares of Common Stock then outstanding and the number of shares of Common Stock then issuable upon conversion of all outstanding securities convertible into or exercisable for shares of Common Stock (including shares of Preferred Stock).

3.2 Definition of New Securities. (a) Subject to Section 3.2(b), "New Securities" means any security (including but not limited to shares of Common Stock or Preferred Stock, whether authorized or not, and rights, options or warrants to purchase shares of Common Stock or Preferred Stock, and securities of any type whatsoever that are, or may become, convertible into shares of Common Stock or Preferred Stock) that TeraComm issues after the date of this Agreement.

(b) The term New Securities does not include the following:

- (1) securities offered to the public generally pursuant to a registration statement effective under the Securities Act;
- (2) securities issued pursuant to the acquisition of another business by TeraComm by merger, purchase of all or substantially all of the assets or shares of the other business or other reorganization whereby TeraComm or its stockholders own not less than a majority of the voting power of the surviving or successor business;
- (3) any shares of Common Stock or options to purchase Common Stock (including any shares of Common Stock issued upon exercise of any such options) issued to officers, employees or directors of, or consultants to, TeraComm pursuant to any agreement, plan or arrangement approved by the TeraComm's board of directors;
- (4) any shares of Common Stock issued to any lender, customer or vendor of TeraComm, on condition that any such transaction or arrangement is approved by TeraComm's board of directors;
- (5) securities issued by TeraComm in connection with any stock split, stock dividend or recapitalization; and
- (6) securities issued by TeraComm upon conversion or exercise of other securities.

3.3 Notice of Right. If TeraComm proposes to undertake an issuance of New Securities, it shall give each Stockholder written notice of its intention, describing the type of New Securities and the price and general terms upon which TeraComm proposes to issue them.



If a Stockholder wishes to purchase any New Securities, it must within 15 days of its receipt of any such notice provide TeraComm with a written notice stating that it wishes to purchase New Securities for the price and upon the terms specified in the notice and stating how many New Securities it wishes to purchase (up to the amount referred to in Section 3.1).

3.4 Exercise of Right. If any Stockholder exercises its right under Section 3.1, the closing of the purchase by that Stockholder of the New Securities with respect to which it has exercised its right must take place within 30 days after the Stockholder gives notice of its exercise. This period of time will be extended if necessary to permit TeraComm or that Stockholder to comply with applicable laws and regulations. Upon any exercise of a Stockholder's right under Section 3.1, TeraComm and that Stockholder must use commercially reasonable efforts to consummate the purchase contemplated thereby and shall use all reasonable efforts to secure any approvals required in connection therewith.

3.5 Lapse and Reinstatement of Right. (a) In the event any Stockholder fails to or elects not to exercise its right under Section 3.1 within the 15-day period specified in Section 3.3, the remaining Stockholders that have elected to purchase their pro rata portions will be entitled to purchase any New Securities that remain unpurchased. Each such Stockholder will have the right to purchase those New Securities in the proportion that the sum of the number of shares of Common Stock then held by that Stockholder and the number of shares of Common Stock then issuable upon conversion of outstanding securities convertible into or exercisable for shares of Common Stock (including shares of Preferred Stock) held by that Stockholder (prior to receipt of the written notice of TeraComm referred to in Section ) bears to the sum of the number of shares of Common Stock then held by all Stockholders also electing to purchase the remaining New Securities and the number of shares of Common Stock then issuable upon conversion of outstanding securities convertible into or exercisable for shares of Common Stock (including shares of Preferred Stock) held by all Stockholders also electing to purchase the remaining New Securities. All such purchases must be made within the period specified for closing specified in Section 3.4.

(b) If after the 90-day period specified in Section 3.4 any New Securities remain unpurchased, TeraComm may within 90 days sell or enter into an agreement (pursuant to which the sale of New Securities covered thereby will be closed, if at all, within 60 days from the date of that agreement) to sell those New Securities at the price and upon the terms specified in the notice delivered by TeraComm pursuant to Section 3.3. If TeraComm has not sold the New Securities or entered into an agreement to sell the New Securities within that 90-day period (or sold and issued New Securities in accordance with the foregoing within 60 days of the date of any agreement to sell those New Securities), TeraComm may not thereafter issue or sell any New Securities without first offering those New Securities to the Stockholders in the manner provided in this Article 3. Any offer by TeraComm of New Securities in addition to those specified in the notice described in Section 3.3, whether on the same or different terms as are specified therein, must comply with the terms of this Article 3.

ARTICLE 4  
MISCELLANEOUS

4.1 Consent of Spouse. The spouse of each Stockholder who is an individual and married has executed a Consent of Spouse in the form of Exhibit B, which that Stockholder is delivering to TeraComm with this agreement..

4.2 Stock Dividends. If during the term of this agreement there is any stock dividend, stock split or similar other change in the character or amount of any of the outstanding shares of Capital Stock, then any and all new, substituted or additional securities to which the Stockholders are entitled by reason of their ownership of shares of Capital Stock will immediately be subject or entitled to the terms of this agreement with the same force and effect as the shares of Capital Stock currently subject to this agreement without any further action by the parties.

4.3 Subsequent Issuances and Purchases. All shares of Capital Stock that are issued to or purchased by any Stockholder after the date of this agreement, including without limitation any obtained by exercise of any warrant granted hereafter, or any stock option, will become immediately subject or entitled to the terms of this agreement with the same force and effect as the shares of Capital Stock currently subject to this agreement without further action by the parties.

4.4 Restrictive Legends. Except as otherwise provided in Section 4.4(c), TeraComm shall cause each certificate representing shares of Capital Stock held by a Stockholder or a transferee to be stamped or otherwise imprinted with a legend in substantially the following form:

The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or registered or qualified under applicable state securities laws. TeraComm Research, Inc. ("TeraComm") is not required to give effect to any transfer of these securities unless (a) there is an effective registration statement under the Securities Act with respect to these securities and these securities are registered or qualified under applicable state securities laws, or (b) TeraComm is provided with an opinion of counsel reasonably acceptable to TeraComm to the effect that such transfer may be made without registration under the Securities Act and applicable state securities laws.

(b) TeraComm shall cause each certificate representing shares of Capital Stock held by a Stockholder or a transferee to include a legend in substantially the following form:

The securities represented by this certificate are subject to restrictions on transfer and other terms contained in a stockholders agreement dated May 12, 2000. You may obtain a copy of this agreement from TeraComm at its principal executive offices.

(c) The legend requirements of Section 4.4(a) terminate as to any shares of Capital Stock (1) when and so long as those shares have been effectively registered under the Securities Act of 1933 as amended (the "Securities Act"), and disposed of pursuant thereto or

(2) when TeraComm has determined that those shares may be transferred without registration thereof under the Securities Act and that such legend may be removed.

4.5 Termination. The term of this agreement expires upon (1) the written agreement of Atlantic and a majority of the then-outstanding shares held by the Common Stockholders or (2) immediately prior to the occurrence of a Qualified Public Offering (as defined in TeraComm's certificate of incorporation), whichever occurs earlier.

4.6 Governing Law. Except where the mandatory law of Delaware applies, this agreement is governed by the laws of the State of New York, without giving effect to principles of conflict of laws.

4.7 Notices. Every notice or other communication required or contemplated by this agreement must be in writing and sent by one of the following methods: (1) personal delivery, in which case delivery is deemed to occur the day of delivery; (2) certified or registered mail, postage prepaid, return receipt requested, in which case delivery is deemed to occur the day it is officially recorded by the U.S. Postal Service as delivered to the intended recipient; or (3) next-day delivery to a U.S. address by recognized overnight delivery service such as Federal Express, in which case delivery is deemed to occur upon receipt. In each case, a notice or other communication sent to a Stockholder must be directed to the address for that Stockholder as recorded on TeraComm's books and records of TeraComm, and a notice or other communication sent to TeraComm must be directed to the address set forth below:

TeraComm Research, Inc.  
P.O. Box 163  
Essex Junction, VT 05453  
Attention: Kenneth A. Puzey, President

with a copy to:

Ireland, Stapleton, Pryor & Pascoe, P.C.  
1675 Broadway  
Suite 2600  
Denver, CO 80202  
Attention: Jack Lewis, Esq.

4.8 Severability. If any provision of this agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this agreement will remain in full force and effect. Any provision of this agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

4.9 Definitions. As used in this agreement, the following terms have the following meanings:

"Affiliate" means, with respect to any given Person, any other Person at the time directly or indirectly controlling, controlled by or under common control with that Person. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or

cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Person" means any natural person, a sole proprietorship, a corporation, a partnership, a limited liability company, a joint venture, an association, a trust, or any other entity or organization, including a government entity.

"Related Transferee" means (1) with respect to any Stockholder who is an individual, that Stockholder's spouse, any adult lineal descendants, the adult spouse of any adult lineal descendant, and any trust for the benefit of any minor or adult lineal descendants, and (2) with respect to any Stockholder that is not an individual, any Affiliate of that Stockholder.

4.10 Amendment. This agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

4.11 Entire Agreement. This agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties.

4.12 Counterparts. This agreement may be executed in several counterparts, each of which is an original and all of which together constitute one and the same instrument.

The undersigned are executing this agreement on the date stated in the introductory clause.

TERACOMM RESEARCH, INC.

By: \_\_\_\_\_  
Kenneth A. Puzey  
President

COUNTERPART SIGNATURE PAGE  
TO  
STOCKHOLDERS AGREEMENT

(All joint owners to sign)

STOCKHOLDER:

---

Print Name

---

Signature

STOCKHOLDER:

---

Print Name

---

Signature

STOCKHOLDERS

Kennth A. Puzey  
Thomas G. Ference  
David L. Simon  
Terry Allen  
John M. Fife  
David G. Weaver  
Harvey Bordett  
Donna M. Kaylor  
Robert E. Nary  
Wayne K. Higashi  
Linda A. Meloro  
Linda Pellegrino  
Brian Slepian  
Stephen C. Shear  
Michael L. Edwards  
Curtis B. Prochowski  
Thomas S. Staron, Jr.  
Mathew P. & Jennifer Haynos  
Susan E. Murley  
Jonathan H. Fay (custodians: Jon Fay  
and Elaine Ploof)  
Brian R. Kessler  
Jed H. Rankin  
Mark Staron  
William D. Surdock

CONSENT OF SPOUSE

I am the spouse of one of the stockholders of TeraComm Research, Inc. ("TeraComm"), and I hereby agree as follows:

1. I consent to my spouse's signing the agreement among TeraComm stockholders (that agreement, the "Stockholders Agreement").

2. I acknowledge that my spouse's interest in TeraComm shares is a business interest that is subject to the sole management and control of my spouse.

3. I agree to be bound by the terms of the Stockholders Agreement and agree that it applies to my community property interest, if any, in my spouse's TeraComm shares.

5. I acknowledge that TeraComm has recommended that I obtain separate legal counsel before signing this consent, and that I have considered this recommendation prior to signing this consent.

6. I specifically consent to the provisions of the Stockholders Agreement that impose restrictions on my spouse's transfer of his or her TeraComm shares.

Effective Date:  
- - - - -

Print Name:  
- - - - -

Signature:  
- - - - -

May 12, 2000

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## REGISTRATION RIGHTS AGREEMENT

This registration rights agreement is dated May 12, 2000, and is between TERACOMM RESEARCH, INC., a Delaware corporation ("TeraComm"), and ATLANTIC TECHNOLOGY VENTURES, INC., a Delaware corporation ("Atlantic").

Pursuant to a stock purchase agreement dated the date hereof between TeraComm and Atlantic, TeraComm is issuing to Atlantic 1,400 shares of its Series A preferred stock, par value \$0.001 per share ("Series A Preferred Stock"; those shares, the "Shares"). The Shares are being issued without being registered under the Securities Act, as they are being issued in reliance upon an exemption from registration. TeraComm and Atlantic wish to specify Atlantic's rights in connection with public offerings and sales of those shares.

The parties therefore agree as follows:

1. Definitions. As used in this agreement, the following terms have the following meanings:

"Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in the State of Vermont are authorized by law, regulation or executive order to close.

"Common Stock" means TeraComm's common stock, par value \$0.001 per share.

"Exchange Act" means the Securities Exchange Act of 1934, as amended (or any similar successor federal statute), and the rules and regulations thereunder, as in effect from time to time.

"Holder" means Atlantic and its successors, assigns and transferees (subject to Section 13). For purposes of this agreement, TeraComm may, subject to Section 13, deem the registered holder of a Registrable Security to be the Holder thereof, except that the beneficial owner of any Registrable Securities held in "street name" will be deemed to be the Holder thereof.

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

"Prospectus" means the prospectus included in any Registration Statement, as amended or supplemented by a prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by that Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments, and all material incorporated by reference in such prospectus.

"Registrable Securities" means (1) any shares of Common Stock issued or issuable upon conversion of the Shares, and (2) any shares of Common Stock issued as, or issued upon the conversion or exercise of any warrant, right or other convertible security that is issued as, a dividend or other distribution with respect to, or in exchange for or in replacement of, any shares of Common Stock issued or issuable upon conversion of the Shares.

"Registration Statement" means any registration statement covering any of the Registrable Securities pursuant to the provisions of this agreement, including the Prospectus included therein, all amendments and supplements to that Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference in that Registration Statement.

"Reporting Event" means the consummation of TeraComm's first firm-commitment underwritten public offering of Common Stock.

"SEC" means the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended (or any similar successor federal statute), and the rules and regulations thereunder as in effect from time to time.

"Underwritten Offering" means an offering that is registered under the Securities Act in which securities of TeraComm are sold to an underwriter for reoffering to the public.

2. Securities Subject to this Agreement. The securities entitled to the benefits of this agreement are the Registrable Securities but, with respect to any particular Registrable Security, only so long as that security continues to be a Restricted Security. A Registrable Security that has ceased to be a Registrable Security cannot thereafter become a Registrable Security. As used herein, a "Restricted Security" is a Registrable Security that has not been effectively registered under the Securities Act and distributed in accordance with an effective Registration Statement and that has not been distributed by a Holder pursuant to Rule 144, Rule 903 or Rule 904, unless, in the case of a Registrable Security distributed pursuant to Rule 903 or Rule 904, any applicable restricted period has not expired or the SEC or its staff has taken the position in a published release, ruling or no-action letter that securities



distributed under Rule 903 or 904 are ineligible for resale in the United States under Section 4(1) of the Securities Act notwithstanding expiration of the applicable restricted period.

3. Demand Registration. Upon the written request of Holders owning at least a majority of the Registrable Securities and provided that there is then no effective Registration Statement in effect with respect to all the Registrable Securities, TeraComm shall in accordance with the terms of this agreement as promptly as possible register under the Securities Act the Registrable Securities that the Holders request be so registered, on condition that the Registrable Securities that the requesting Holders request be so registered represent not less than 25% of the Registrable Securities owned by the requesting Holders or have a value of not less than \$5 million, based on the Current Market Price. As used in this Agreement, "Current Market Price" means the current market price of a share of TeraComm common stock as determined in good faith by the TeraComm's board of directors or, if TeraComm's board of directors is unable to so determine, by a nationally-recognized independent investment banking firm selected by Atlantic and TeraComm or, in the event Atlantic and TeraComm are unable to agree upon the selection of an investment banking firm, by a nationally-recognized independent investment banking firm selected by a nationally-recognized independent investment banking firm selected by Atlantic and one selected by TeraComm.

(b) Upon receipt of any request for registration pursuant to Section 3(a) from any Holders, TeraComm shall promptly give written notice of that request to all other Holders. TeraComm shall include in the requested registration all Registrable Securities requested to be included by those of the other Holders who make that request by written notice to TeraComm delivered within 10 Business Days of delivery of TeraComm's notice. If TeraComm receives a request for inclusion in the registration of the Registrable Securities of additional Holders, it shall promptly so inform the Holders who made the initial request for registration.

(c) A Holder or Holders requesting a registration pursuant to this Section 3 may, at any time prior to the effective date of the Registration Statement relating to that registration, revoke that request by providing a written notice to TeraComm revoking that request. If a Holder or Holders revoke any demand for registration or that demand registration otherwise fails to become effective as a result of any action or inaction by the Holder or Holders, that Holder or those Holders, at their option, shall either pay all Registration Expenses with respect to that revoked demand or count that revoked demand as the completed demand for registration to which that Holder or those Holders are entitled pursuant to this Section 3.

(d) TeraComm is not required to register the Registrable Securities prior to the date six months after the Reporting Event or during the 90-day period following the completion of any Underwritten Offering. Atlantic may not demand more than two registrations pursuant to this Section 3.

(e) Subject to Section 3(c), TeraComm shall pay all Registration Expenses with respect to any demand registration pursuant to this Section 3.

(f) TeraComm shall use its best efforts to (1) cause the Registration Statement relating to any demand registration pursuant to this Section 3 to become effective under the Securities Act as promptly as practicable, (2) thereafter keep that Registration Statement effective continuously for the period specified in Section 3(g), and (3) prevent the happening of any event of the kind described in Sections 6(a)(2)(D) and (E). TeraComm may initiate or engage in negotiations with respect to, or consummate, any transaction (whether or not material to TeraComm), even if the effect thereof would be cause the happening of an event described in Section 6(a)(2)(F).

(g) A demand registration requested pursuant to this Section 3 will not be deemed to have been effected or complied with unless the Registration Statement relating thereto has become effective under the Securities Act and remain continuously effective (except as otherwise permitted under this agreement) for a period ending on the earlier of the following dates:

- (1) the date 120 days after the effective date of that Registration Statement; and
- (2) the date on which all Registrable Securities covered by that Registration Statement have been sold and the distribution contemplated thereby has been completed.

(h) TeraComm and any holder of TeraComm's securities that has registration rights (other than the Holders) may include its securities in any demand registration effected pursuant to this Section 3, except that if the managing underwriter or underwriters of any

Underwritten Offering contemplated in connection with that registration advise the Holders in writing that the total amount or kind of securities to be include in that Underwritten Offering is sufficiently large to materially adversely affect the success of the Underwritten Offering, then TeraComm shall reduce the amount or kind of securities to be offered for the account of TeraComm or any other holder to the extent necessary to reduce the total amount or kind of securities to be included in the contemplated Underwritten Offering to the amount or kind recommended by the managing underwriter or underwriters.

(i) TeraComm may elect to effect any registration under this Section 3 on a form permitted by the rules and regulations of the SEC, except that TeraComm shall use Form S-3 if TeraComm is eligible to use that form.

(j) When in the opinion of counsel for TeraComm registration of the Registrable Securities is not required by the Securities Act and other applicable securities laws in connection with a proposed sale of Registrable Securities, the Holders may not request a demand registration pursuant to this Section 3 in connection with that proposed sale and TeraComm shall promptly provide to the transfer agent and the Holder's or Holders' broker or brokers in connection with any sale transaction an opinion of counsel for TeraComm to the effect set forth above, on condition that the Holder or Holders provide representation letters in customary form to counsel for TeraComm rendering that opinion.

4. Piggyback Registration. If TeraComm at any time proposes to file a registration statement with respect to any class of its equity securities, whether for its own account (other than a registration statement on Form S-4 or S-8, or any successor or substantially similar form, or a registration statement covering (A) an employee stock option, stock purchase or compensation plan or securities issued or issuable pursuant to any such plan, or (B) a dividend reinvestment plan) or for the account of one or more holders of securities of TeraComm (other than the Holders) pursuant to demand registration rights granted by TeraComm (each such holder, a "Requesting Securityholder"), then TeraComm shall in each case give written notice of the proposed filing to all Holders at least 20 Business Days before the anticipated filing date of the registration statement by TeraComm, which notice must offer to all Holders the opportunity to have any or all of the Registrable Securities included in that registration statement, subject to the terms of this agreement. Each Holder that wishes to have any of its Registrable Securities registered under this Section 4 must so advise TeraComm within 10 Business Days after the date of its receipt of that notice, specifying how many of its Registrable Securities it wishes to have so registered, and subject to Section 4(b) TeraComm shall include in that Registration Statement all Registrable Securities that Holders have requested be included therein, except that in the event that Registration Statement is for an Underwritten Offering, the Holders included therein must join in the underwriting on the same terms and conditions as TeraComm or the Requesting Securityholders (except that the Holders will not be required to give any representations relating to TeraComm in their capacity as the Holders), and shall execute any underwriting agreement, "lock-up" letters or other customary agreements or documents executed by TeraComm or the Requesting Securityholders in connection with that Underwritten Offering.

(b) If the managing underwriter or underwriters of any such proposed public offering advise TeraComm in writing that the total amount or kind of securities that the Holders, TeraComm, any Requesting Securityholders and any other Persons intended to be included in

that proposed public offering is sufficiently large to materially adversely affect the success of that proposed public offering, then TeraComm may, upon written notice to all Holders, reduce pro rata the number of Registrable Securities and the amount or kind of securities to be offered for the accounts of any other Persons requesting registration of securities pursuant to rights similar to the rights of the Holders under this Section 4 to the extent necessary to reduce the total amount or kind of securities to be included in that proposed public offering to the amount or kind recommended by that managing underwriter or underwriters before the securities offered by TeraComm or any Requesting Securityholder are so reduced.

(c) Neither the giving of notice by TeraComm nor any request by the Holders to register Registrable Securities pursuant to Section 4(a) will in any way obligate TeraComm to file a Registration Statement with the SEC. TeraComm may at any time prior to its effective date determine not to offer the securities to which a Registration Statement relates or withdraw that Registration Statement from the SEC, all without incurring any liability to the Holders.

(d) When in the opinion of counsel for TeraComm registration of the Registrable Securities is not required by the Securities Act and other applicable securities laws in connection with a proposed sale of Registrable Securities, the Holders may not request a piggyback registration pursuant to this Section 4 in connection with that proposed sale and TeraComm shall promptly provide to the transfer agent and the Holder's or Holders' broker or brokers in connection with any sale transaction an opinion of counsel for TeraComm to the effect set forth above, on condition that the Holder or Holders provide representation letters in customary form to counsel for TeraComm rendering that opinion.

5. Limitations on Subsequent Registration Rights. TeraComm may not without the consent of the Holders owning a majority of the Registrable Securities enter into with any Person any other agreement granting registration rights that are, in the reasonable judgment of Holders owning a majority of the Registrable Securities, superior to the rights granted in this Agreement, unless TeraComm grants the Holders rights comparable to those that it proposes to grant in that other agreement..

6. Registration Procedures and Other Agreements. (a) In connection with TeraComm's registration obligations pursuant to Section 3 and, to the extent applicable thereto, Section 4, TeraComm shall do the following:

- (1) prepare and file with the SEC a new Registration Statement or such amendments and post-effective amendments to an existing Registration Statement as may be necessary to keep that Registration Statement effective, except that no Registration Statement need remain in effect after all Registrable Securities covered by that Registration Statement have been sold and distributed as contemplated by that Registration Statement;
- (2) notify each selling Holder promptly of the following:
  - (A) when a new Registration Statement, amendment thereto, Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any new Registration Statement or post-effective amendment, when it has become effective;

- (B) of any request by the SEC for amendments or supplements to any Registration Statement or Prospectus or for additional information;
  - (C) of the issuance by the SEC of any comments with respect to any filing;
  - (D) of any stop order suspending the effectiveness of any Registration Statement or the initiation or threatening of any proceedings for that purpose;
  - (E) of any suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;
  - (F) of the happening of any event that makes any statement of a material fact made in any Registration Statement, Prospectus or any document incorporated therein by reference untrue or that requires the making of any changes in any Registration Statement, Prospectus or any document incorporated therein by reference in order to make the statements therein (in the case of any Prospectus, in the light of the circumstances under which they were made) not misleading; and make every reasonable effort to obtain as promptly as practicable the withdrawal of any order or other action suspending the effectiveness of any Registration Statement or suspending the qualification or registration (or exemption therefrom) of the Registrable Securities for sale in any jurisdiction;
- (3) furnish to each selling Holder, without charge, at least one manually signed or "edgarized" copy and as many conformed copies as that Holder reasonably requests, of the then-effective Registration Statement and any post-effective amendment thereto, and one copy of all financial statements and schedules, all documents incorporated therein by reference and all exhibits thereto (including those incorporated by reference);
- (4) deliver to each selling Holder, without charge, as many copies of the then-effective Prospectus (including each prospectus subject to completion) and any amendments or supplements thereto as that Holder reasonably requests;
- (5) use best efforts to register or qualify under the securities or blue sky laws of such jurisdictions as the selling Holders reasonably request in writing and do any and all other acts or things reasonably necessary or advisable to enable the disposition in those jurisdictions of the Registrable Securities covered by the then-effective Registration Statement, except that TeraComm will not be required to (A) qualify to do business in any jurisdiction where it would not otherwise be required to qualify or (B) subject itself to general taxation in any such jurisdiction;
- (6) upon the occurrence of any event contemplated by Section 6(a)(2)(F), as promptly as practicable (in light of the circumstances causing the occurrence of that event) prepare a supplement or post-effective amendment to the Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

- (7) use reasonable efforts to cause all Registrable Securities covered by the Registration Statement to be listed on each securities exchange (or quotation system operated by a national securities association) on which identical securities issued by TeraComm are then listed, and enter into customary agreements including, if necessary, a listing application and indemnification agreement in customary form;
- (8) if the registration is in connection with an Underwritten Offering, enter into an underwriting agreement with respect to the Registrable Securities containing provisions that are customary in connection with underwritten secondary offerings, including representations, opinions of counsel, letters of accountants and indemnification provisions with underwriters that acquire Registrable Securities;
- (9) otherwise use its best efforts to comply in all material respects with all applicable rules and regulations of the SEC relating to such registration and the distribution of the securities being offered and make generally available to its securities holders earnings statements satisfying the provisions of Section 11(a) of the Securities Act and complying with Rule 158 of the SEC thereunder;
- (10) cooperate and assist in any filings required to be made with the National Association of Securities Dealers, Inc.; and
- (11) make available for inspection by a representative of selling Holders and any attorney or accountant retained by such selling Holders all financial and other records, pertinent corporate documents and properties of TeraComm and cause TeraComm's officers, directors and employees to supply all information reasonably requested by, and to cooperate fully with, any such representative, underwriter, attorney or accountant in connection with such registration, and otherwise to cooperate fully in connection with any due diligence investigation; provided that such representatives, underwriters, attorneys or accountants enter into a confidentiality agreement, in form and substance reasonably satisfactory to TeraComm, prior to the release or disclosure to them of any such information, records or documents.

(b) Each selling Holder shall furnish to TeraComm, upon request, in writing such information and documents as, in the opinion of counsel to TeraComm, is reasonably necessary to prepare properly and file that Registration Statement in accordance with the applicable provisions of the Securities Act.

7. Registration Expenses. Whether or not any Registration Statement becomes effective, TeraComm will be responsible for all expenses incident to TeraComm's performance of or compliance with this agreement, including without limitation all registration and filing fees, fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of one counsel in connection with blue sky qualifications or registrations (or the obtaining of exemptions therefrom) of the Registrable Securities), the reasonable fees and disbursements of one counsel retained by the Holders, printing expenses (including expenses of printing Prospectuses), messenger and delivery expenses, internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties), fees and disbursements of its counsel and its independent certified public accountants (including the

expenses of any special audit or "comfort" letters required by or incident to such performance or compliance), securities acts liability insurance (if TeraComm elects to obtain such insurance), fees and expenses of any special experts retained by TeraComm in connection with any registration hereunder and the fees and expenses of any other Person retained by TeraComm (all such fees and expenses being referred to as "Registration Expenses"). Not included in Registration Expenses are underwriting discounts, commissions or fees and any stock transfer taxes, attributable to the sale of the Registrable Securities.

8. Suspension of Sales under Certain Circumstances. (a) Upon receipt of any notice from TeraComm that dispositions under the then-current Prospectus must be discontinued and suspended, whether as a result of an event described in Section 6(a)(2)(D), (E) or (F) or otherwise, each Holder shall forthwith discontinue and suspend disposition of Registrable Securities pursuant to that Prospectus until (1) the Holders are advised in writing by TeraComm that a new Registration Statement covering the offer of Registrable Securities has become effective under the Securities Act, or (2) the Holders receive copies of a supplemented or amended Prospectus contemplated by Section 6, or (3) the Holders are advised in writing by TeraComm that they may resume use of the Prospectus.

(b) If at any time following the date hereof any shares of Common Stock are to be sold pursuant to an Underwritten Offering (other than in connection with a registration statement on Form S-4 or S-8, or any successor or substantially similar form, or a registration statement covering (A) an employee stock option, stock purchase or compensation plan or securities issued or issuable pursuant to any such plan, or (B) a dividend reinvestment plan), then for the period commencing 15 days prior to, and expiring 90 days after, the effective date of such Underwritten Offering, none of the Holders may effect any public sale or distribution of any Registrable Securities or any other shares of Common Stock of TeraComm then owned by the Holders, other than pursuant to that Underwritten Offering (if any Registrable Securities are included in such Underwritten Offering).

9. Indemnification. (a) TeraComm shall indemnify, to the full extent permitted by law, but without duplication, each Holder, any of their respective officers and directors, if any, and each Person who controls any Holder within the meaning of the Securities Act against all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation and reasonable legal fees and expenses) resulting from any untrue statement of a material fact in, or any omission of a material fact required to be stated in, any Registration Statement or in any preliminary or final Prospectus, or any amendment or supplement thereto, or necessary to make the statements therein (in the case of a Prospectus in light of the circumstances under which they were made) not misleading, except that TeraComm will not be liable in any such case to the extent that any such loss, claim, damage, liability or expense (A) arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to TeraComm by or on behalf of the Holders specifically for inclusion therein or (B) is caused by any untrue statement or omission, or any alleged untrue statement or omission, made in a Prospectus but eliminated or remedied in a subsequent Prospectus if TeraComm shall have timely furnished copies thereof to the relevant Holder in accordance with this agreement and a copy of the Prospectus was required pursuant to the Securities Act to be sent or given by that Holder or on its

behalf to the Person asserting that loss, claim, damage, liability or expense at or prior to the sale of those Registrable Securities to that Person and was not so sent or given.

(b) In connection with any Registration Statement covering Registrable Securities of any Holder, that Holder shall furnish to TeraComm in writing such information as TeraComm reasonably requests for use in connection with any such Registration Statement or Prospectus and shall indemnify, to the full extent permitted by law, but without duplication, TeraComm, its officers, directors, stockholders, employees, advisors and agents, and each Person who controls TeraComm (within the meaning of the Securities Act), against any losses, claims, damages, liabilities and expenses resulting from any untrue statement of a material fact in, or any omission of a material fact required to be stated in, the Registration Statement or in any preliminary or final Prospectus, or any amendment or supplement thereto, or necessary to make the statements therein (in the case of a Prospectus in light of the circumstances under which they were made) not misleading, but only to the extent that such untrue statement or omission is contained in any information so furnished in writing by that Holder to TeraComm specifically for inclusion therein. If the offering to which the Registration Statement relates is an Underwritten Offering, each Holder shall enter into an underwriting agreement in customary form with the underwriters and indemnify the underwriters, their officers and directors, if any, and each Person who controls the underwriters within the meaning of the Securities Act to the same extent as each Holder is required to indemnify TeraComm.

(c) Any Person entitled to indemnification hereunder must (1) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification, and (2) permit the indemnifying party to assume the defense of that claim with counsel reasonably satisfactory to the indemnified party, except that the indemnified party may employ separate counsel and participate in, but not control, the defense of that claim. The indemnified party will be responsible for the fees and expenses of such counsel, unless (A) the indemnifying party fails to assume the defense of that claim and employ counsel reasonably satisfactory to the indemnified party in a timely manner, or (B) in the reasonable judgment of the indemnified party, based upon written advice of its counsel, a conflict of interest may exist between the indemnified party and the indemnifying party with respect to that claim (in which case, if the indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party may not assume the defense of any claim as to which that conflict of interest may exist). The indemnifying party will not be subject to any liability for any settlement made without its consent. No indemnified party will be required to consent to the entry of any judgment or enter into any settlement that does not require that the claimant or plaintiff give the indemnified party a release from all liability in respect of that claim or litigation. An indemnifying party who is not entitled to, or elects not to, assume the defense of the claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by that indemnifying party with respect to that claim, as well as one local counsel in each relevant jurisdiction.

(d) If for any reason indemnification provided for in Section 9(a) or 9(b) is unavailable to an indemnified party or insufficient to hold it harmless as contemplated by Sections 9(a) and 9(b), then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of the loss, claim, damage, liability or expense for which it is entitled to indemnification in such proportion as is appropriate to reflect not only the relative



benefits received by the indemnifying party and the indemnified party, but also the relative fault of the indemnifying party and the indemnified party, as well as any other relevant equitable considerations. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentations.

10. Rule 144. TeraComm shall use its reasonable best efforts to make publicly available and available to the Holders, pursuant to Rule 144, such information as is necessary to enable the Holders to make sales of Registrable Securities pursuant to that Rule. TeraComm shall use its reasonable best efforts to file timely with the SEC all documents and reports required of TeraComm under the Exchange Act. TeraComm shall furnish to any Holder, upon request, a written statement executed on behalf of TeraComm as to compliance with the current public information requirements of Rule 144.

11. Amendments and Waivers. The provisions of this agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, without the written consent of TeraComm and Holders of a majority of the Registrable Securities.

12. Notices. Every notice or other communication required or contemplated by this agreement must be in writing and sent by one of the following methods: (1) personal delivery, in which case delivery is deemed to occur the day of delivery; (2) certified or registered mail, postage prepaid, return receipt requested, in which case delivery is deemed to occur the day it is officially recorded as delivered to the intended recipient; or (3) next-day delivery by a recognized overnight delivery service such as Federal Express, in which case delivery is deemed to occur one business day after being sent. In each case, a notice or other communication sent to a party must be directed to the address for that party set forth below, or to another address designated by that party by written notice:

If to a Holder, at the most current address for that Holder as it appears on the books of TeraComm; and

If to TeraComm, to:

TeraComm Research, Inc.  
P.O. Box 163  
Essex Junction, VT 05453  
Attention: Kenneth A. Puzey, President

with a copy to:

Ireland, Stapleton, Pryor & Pascoe, P.C.  
1675 Broadway  
Suite 2600  
Denver, CO 80202  
Attention: Jack Lewis, Esq.

13. Successors and Assigns. This agreement inures to the benefit of and is binding upon the successors, transferees and assigns of the parties hereto, except that (1) no transferee in any transfer made in reliance on Rule 144 under the Securities Act will have any rights as a Holder under this agreement, and (2) no Person to whom Registrable Securities are transferred will have any rights under this agreement as a Holder unless that Person agrees to be bound by the terms and conditions of this agreement.

14. Governing Law. This agreement is governed by the laws of the State of New York, without giving effect to principles of conflict of laws.

15. Jurisdiction; Service of Process. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this agreement may be brought against any of the parties in the courts of the State of New York, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York, and each of the parties consents to the jurisdiction of those courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any such action or proceeding may be served by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 12. Nothing in this Section 15, however, affects the right of any party to serve legal process in any other manner permitted by law.

16. Entire Agreement. This agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties.

Atlantic and TeraComm are executing this agreement on the date stated in the introductory clause.

TERACOMM RESEARCH, INC.

By: \_\_\_\_\_  
Kenneth A. Puzey President

ATLANTIC TECHNOLOGY VENTURES, INC.

By: \_\_\_\_\_  
A. Joseph Rudick  
President

## REGISTRATION RIGHTS AGREEMENT

This registration rights agreement is dated May 12, 2000, and is between TERACOMM RESEARCH, INC., a Delaware corporation ("TeraComm"), and ATLANTIC TECHNOLOGY VENTURES, INC., a Delaware limited liability company ("Atlantic").

Pursuant to a stock purchase agreement dated the date hereof between TeraComm and Atlantic, Atlantic is issuing to TeraComm 200,000 shares of Atlantic's common stock (the "Shares") and a warrant to purchase an additional 200,000 shares of Atlantic's Common Stock (the "Warrant"). TeraComm and Atlantic wish to specify TeraComm's rights in connection with public offerings and sales of the Shares and the shares of Common Stock issuable upon exercise of the Warrant.

The parties therefore agree as follows:

1. Definitions. As used in this agreement, the following terms have the following meanings:

"Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in the State of Vermont are authorized by law, regulation or executive order to close.

"Common Stock" means Atlantic's common stock.

"Exchange Act" means the Securities Exchange Act of 1934, as amended (or any similar successor federal statute), and the rules and regulations thereunder, as in effect from time to time.

"Holder" means TeraComm and its successors, assigns and transferees (subject to Section 13). For purposes of this agreement, Atlantic may, subject to Section 13, deem the registered holder of a Registrable Security to be the Holder thereof, except that the beneficial owner of any Registrable Securities held in "street name" will be deemed to be the Holder thereof.

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

"Prospectus" means the prospectus included in any Registration Statement, as amended or supplemented by a prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by that Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments, and all material incorporated by reference in such prospectus.

"Registrable Securities" means (1) the Shares and any shares of Common Stock issued or issuable upon exercise of the Warrant, and (2) any shares of Common Stock issued as, or issued upon the conversion or exercise of any warrant, right or other convertible security that is issued as, a dividend or other distribution with respect to, or in exchange for or in replacement of, the Shares or issuable upon exercise of the Warrant.

"Registration Statement" means any registration statement covering any of the Registrable Securities pursuant to the provisions of this agreement, including the Prospectus included therein, all amendments and supplements to that Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference in that Registration Statement.

"SEC" means the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended (or any similar successor federal statute), and the rules and regulations thereunder as in effect from time to time.

"Underwritten Offering" means an offering that is registered under the Securities Act in which securities of Atlantic are sold to an underwriter for reoffering to the public.

2. Securities Subject to this Agreement. The securities entitled to the benefits of this agreement are the Registrable Securities but, with respect to any particular Registrable Security, only so long as that security continues to be a Restricted Security. A Registrable Security that has ceased to be a Registrable Security cannot thereafter become a Registrable Security. As used herein, a "Restricted Security" is a Registrable Security that has not been effectively registered under the Securities Act and distributed in accordance with an effective Registration Statement and that has not been distributed by a Holder pursuant to Rule 144, Rule 903 or Rule 904, unless, in the case of a Registrable Security distributed pursuant to Rule 903 or Rule 904, any applicable restricted period has not expired or the SEC or its staff has taken the position in a published release, ruling or no-action letter that securities distributed under Rule 903 or 904 are ineligible for resale in the United States under Section 4(1) of the Securities Act notwithstanding expiration of the

applicable restricted period.

3. Registration. Atlantic shall in accordance with the terms of this agreement cause a registration statement covering all Registrable Securities to be filed and declared effective no later than 30 days following the date hereof. Atlantic shall use its best efforts to keep such registration statement effective until the first anniversary of the date hereof and to prevent the happening of any event of the kind described in Sections 4(a)(2)(D) and (E). Atlantic may initiate or engage in negotiations with respect to, or consummate, any transaction (whether or not material to Atlantic), even if the effect thereof would be cause the happening of an event described in Section 4(a)(2)(F)

(b) Atlantic may elect to effect any registration under this Section 3 on a form permitted by the rules and regulations of the SEC, except that Atlantic shall use Form S-3 if Atlantic is eligible to use that form.

(c) When in the opinion of counsel for Atlantic registration of the Registrable Securities is not required by the Securities Act and other applicable securities laws in connection with a proposed sale of Registrable Securities, the Holders may not request registration pursuant to this Section 3 in connection with that proposed sale and Atlantic shall promptly provide to the transfer agent and the Holder's or Holders' broker or brokers in connection with any sale transaction an opinion of counsel for Atlantic to the effect set forth above, on condition that the

Holder or Holders provide representation letters in customary form to counsel for Atlantic rendering that opinion.

4. Registration Procedures and Other Agreements. (a) In connection with Atlantic's registration obligations pursuant to Section 3, Atlantic shall do the following:

- (1) prepare and file with the SEC a new Registration Statement or such amendments and post-effective amendments to an existing Registration Statement as may be necessary to keep that Registration Statement effective, except that no Registration Statement need remain in effect after all Registrable Securities covered by that Registration Statement have been sold and distributed as contemplated by that Registration Statement;
- (2) notify each selling Holder promptly of the following:
  - (A) when a new Registration Statement, amendment thereto, Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any new Registration Statement or post-effective amendment, when it has become effective;
  - (B) of any request by the SEC for amendments or supplements to any Registration Statement or Prospectus or for additional information;
  - (C) of the issuance by the SEC of any comments with respect to any filing;
  - (D) of any stop order suspending the effectiveness of any Registration Statement or the initiation or threatening of any proceedings for that purpose;
  - (E) of any suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;
  - (F) of the happening of any event that makes any statement of a material fact made in any Registration Statement, Prospectus or any document incorporated therein by reference untrue or that requires the making of any changes in any Registration Statement, Prospectus or any document incorporated therein by reference in order to make the statements therein (in the case of any Prospectus, in the light of the circumstances under which they were made) not misleading; and make every reasonable effort to obtain as promptly as practicable the withdrawal of any order or other action suspending the effectiveness of any Registration Statement or suspending the qualification or registration (or exemption therefrom) of the Registrable Securities for sale in any jurisdiction;
- (3) furnish to each selling Holder, without charge, at least one manually signed or "edgarized" copy and as many conformed copies as that Holder reasonably requests, of the then-effective Registration Statement and any post-effective amendment thereto, and one copy of all financial statements and schedules, all documents incorporated therein by reference and all exhibits thereto (including those incorporated by reference);

- (4) deliver to each selling Holder, without charge, as many copies of the then-effective Prospectus (including each prospectus subject to completion) and any amendments or supplements thereto as that Holder reasonably requests;
- (5) use best efforts to register or qualify under the securities or blue sky laws of such jurisdictions as the selling Holders reasonably request in writing and do any and all other acts or things reasonably necessary or advisable to enable the disposition in those jurisdictions of the Registrable Securities covered by the then-effective Registration Statement, except that Atlantic will not be required to (A) qualify to do business in any jurisdiction where it would not otherwise be required to qualify or (B) subject itself to general taxation in any such jurisdiction;
- (6) upon the occurrence of any event contemplated by Section 4(a)(2)(F), as promptly as practicable (in light of the circumstances causing the occurrence of that event) prepare a supplement or post-effective amendment to the Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;
- (7) use reasonable efforts to cause all Registrable Securities covered by the Registration Statement to be listed on each securities exchange (or quotation system operated by a national securities association) on which identical securities issued by Atlantic are then listed, and enter into customary agreements including, if necessary, a listing application and indemnification agreement in customary form;
- (8) if the registration is in connection with an Underwritten Offering, enter into an underwriting agreement with respect to the Registrable Securities containing provisions that are customary in connection with underwritten secondary offerings, including representations, opinions of counsel, letters of accountants and indemnification provisions with underwriters that acquire Registrable Securities;
- (9) otherwise use its best efforts to comply in all material respects with all applicable rules and regulations of the SEC relating to such registration and the distribution of the securities being offered and make generally available to its securities holders earnings statements satisfying the provisions of Section 11(a) of the Securities Act and complying with Rule 158 of the SEC thereunder;
- (10) cooperate and assist in any filings required to be made with the National Association of Securities Dealers, Inc.; and
- (11) make available for inspection by a representative of selling Holders and any attorney or accountant retained by such selling Holders all financial and other records, pertinent corporate documents and properties of Atlantic and cause Atlantic's officers, directors and employees to supply all information reasonably requested by, and to cooperate fully with, any such representative, underwriter, attorney or accountant in connection with such

registration, and otherwise to cooperate fully in connection with any due diligence investigation; provided that such representatives, underwriters, attorneys or accountants enter into a confidentiality agreement, in form and substance reasonably satisfactory to Atlantic, prior to the release or disclosure to them of any such information, records or documents.

(b) Each selling Holder shall furnish to Atlantic, upon request, in writing such information and documents as, in the opinion of counsel to Atlantic, is reasonably necessary to prepare properly and file that Registration Statement in accordance with the applicable provisions of the Securities Act.

5. Registration Expenses. Whether or not any Registration Statement becomes effective, Atlantic will be responsible for all expenses incident to Atlantic's performance of or compliance with this agreement, including without limitation all registration and filing fees, fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of one counsel in connection with blue sky qualifications or registrations (or the obtaining of exemptions therefrom) of the Registrable Securities), the reasonable fees and disbursements of one counsel retained by the Holders, printing expenses (including expenses of printing Prospectuses), messenger and delivery expenses, internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties), fees and disbursements of its counsel and its independent certified public accountants (including the expenses of any special audit or "comfort" letters required by or incident to such performance or compliance), securities acts liability insurance (if Atlantic to obtain such insurance), fees and expenses of any special experts retained by Atlantic in connection with any registration hereunder and the fees and expenses of any other Person retained by Atlantic (all such fees and expenses being referred to as "Registration Expenses"). Not included in Registration Expenses are underwriting discounts, commissions or fees and any stock transfer taxes, attributable to the sale of the Registrable Securities.

6. Suspension of Sales under Certain Circumstances. (a) Upon receipt of any notice from Atlantic that dispositions under the then-current Prospectus must be discontinued and suspended, whether as a result of an event described in Section 4(a)(2)(D), (E) or (F) or otherwise, each Holder shall forthwith discontinue and suspend disposition of Registrable Securities pursuant to that Prospectus until (1) the Holders are advised in writing by Atlantic that a new Registration Statement covering the offer of Registrable Securities has become effective under the Securities Act, or (2) the Holders receive copies of a supplemented or amended Prospectus contemplated by Section 4, or (3) the Holders are advised in writing by Atlantic that they may resume use of the Prospectus.

(b) If at any time following the date hereof any shares of Common Stock are to be sold pursuant to an Underwritten Offering (other than in connection with a registration statement on Form S-4 or S-8, or any successor or substantially similar form, or a registration statement covering (A) an employee stock option, stock purchase or compensation plan or securities issued or issuable pursuant to any such plan, or (B) a dividend reinvestment plan), then for the period commencing 15 days prior to, and expiring 90 days after, the effective date of such Underwritten Offering, none of the Holders may effect any public sale or distribution of any Registrable Securities or any other shares of Common Stock of Atlantic then owned by the

Holders, other than pursuant to that Underwritten Offering (if any Registrable Securities are included in such Underwritten Offering).

7. Indemnification. Atlantic shall indemnify, to the full extent permitted by law, but without duplication, each Holder, any of their respective officers and directors, if any, and each Person who controls any Holder within the meaning of the Securities Act against all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation and reasonable legal fees and expenses) resulting from any untrue statement of a material fact in, or any omission of a material fact required to be stated in, any Registration Statement or in any preliminary or final Prospectus, or any amendment or supplement thereto, or necessary to make the statements therein (in the case of a Prospectus in light of the circumstances under which they were made) not misleading, except that Atlantic will not be liable in any such case to the extent that any such loss, claim, damage, liability or expense (A) arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to Atlantic by or on behalf of the Holders specifically for inclusion therein or (B) is caused by any untrue statement or omission, or any alleged untrue statement or omission, made in a Prospectus but eliminated or remedied in a subsequent Prospectus if Atlantic shall have timely furnished copies thereof to the relevant Holder in accordance with this agreement and a copy of the Prospectus was required pursuant to the Securities Act to be sent or given by that Holder or on its behalf to the Person asserting that loss, claim, damage, liability or expense at or prior to the sale of those Registrable Securities to that Person and was not so sent or given.

(b) In connection with any Registration Statement covering Registrable Securities of any Holder, that Holder shall furnish to Atlantic in writing such information as Atlantic reasonably requests for use in connection with any such Registration Statement or Prospectus and shall indemnify, to the full extent permitted by law, but without duplication, Atlantic, its officers, directors, stockholders, employees, advisors and agents, and each Person who controls Atlantic (within the meaning of the Securities Act), against any losses, claims, damages, liabilities and expenses resulting from any untrue statement of a material fact in, or any omission of a material fact required to be stated in, the Registration Statement or in any preliminary or final Prospectus, or any amendment or supplement thereto, or necessary to make the statements therein (in the case of a Prospectus in light of the circumstances under which they were made) not misleading, but only to the extent that such untrue statement or omission is contained in any information so furnished in writing by that Holder to Atlantic specifically for inclusion therein. If the offering to which the Registration Statement relates is an Underwritten Offering, each Holder shall enter into an underwriting agreement in customary form with the underwriters and indemnify the underwriters, their officers and directors, if any, and each Person who controls the underwriters within the meaning of the Securities Act to the same extent as each Holder is required to indemnify Atlantic.

(c) Any Person entitled to indemnification hereunder must (1) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification, and (2) permit the indemnifying party to assume the defense of that claim with counsel reasonably satisfactory to the indemnified party, except that the indemnified party may employ separate counsel and participate in, but not control, the defense of that claim. The indemnified party will be responsible for the fees and expenses of such counsel, unless (A) the indemnifying party fails



to assume the defense of that claim and employ counsel reasonably satisfactory to the indemnified party in a timely manner, or (B) in the reasonable judgment of the indemnified party, based upon written advice of its counsel, a conflict of interest may exist between the indemnified party and the indemnifying party with respect to that claim (in which case, if the indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party may not assume the defense of any claim as to which that conflict of interest may exist). The indemnifying party will not be subject to any liability for any settlement made without its consent. No indemnified party will be required to consent to the entry of any judgment or enter into any settlement that does not require that the claimant or plaintiff give the indemnified party a release from all liability in respect of that claim or litigation. An indemnifying party who is not entitled to, or elects not to, assume the defense of the claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by that indemnifying party with respect to that claim, as well as one local counsel in each relevant jurisdiction.

(d) If for any reason indemnification provided for in Section 7(a) or 7(b) is unavailable to an indemnified party or insufficient to hold it harmless as contemplated by Sections 7(a) and 7(b), then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of the loss, claim, damage, liability or expense for which it is entitled to indemnification in such proportion as is appropriate to reflect not only the relative benefits received by the indemnifying party and the indemnified party, but also the relative fault of the indemnifying party and the indemnified party, as well as any other relevant equitable considerations. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentations.

8. Rule 144. Atlantic shall use its reasonable best efforts to make publicly available and available to the Holders, pursuant to Rule 144, such information as is necessary to enable the Holders to make sales of Registrable Securities pursuant to that Rule. Atlantic shall use its reasonable best efforts to file timely with the SEC all documents and reports required of Atlantic under the Exchange Act. Atlantic shall furnish to any Holder, upon request, a written statement executed on behalf of Atlantic as to compliance with the current public information requirements of Rule 144.

9. Amendments and Waivers. The provisions of this agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, without the written consent of Atlantic and Holders of a majority of the Registrable Securities.

10. Notices. Every notice or other communication required or contemplated by this agreement must be in writing and sent by one of the following methods: (1) personal delivery, in which case delivery is deemed to occur the day of delivery; (2) certified or registered mail, postage prepaid, return receipt requested, in which case delivery is deemed to occur the day it is officially recorded as delivered to the intended recipient; or (3) next-day delivery by a recognized overnight delivery service such as Federal Express, in which case delivery is deemed to occur one business day after being sent. In each case, a notice or other communication sent to a party

must be directed to the address for that party set forth below, or to another address designated by that party by written notice:

If to a Holder, at the most current address for that Holder as it appears on the books of Atlantic; and

If to Atlantic, to:

Atlantic Technology Ventures, Inc.  
150 Broadway, Suite 1009  
New York, NY 10038  
Attention: Frederic P. Zotos, President

with a copy to:

Kramer Levin Naftalis & Frankel LLP  
919 Third Avenue  
New York, NY 10022  
Attention: Ezra G. Levin, Esq.

11. Successors and Assigns. This agreement inures to the benefit of and is binding upon the successors, transferees and assigns of the parties hereto, except that (1) no transferee in any transfer made in reliance on Rule 144 under the Securities Act will have any rights as a Holder under this agreement, and (2) no Person to whom Registrable Securities are transferred will have any rights under this agreement as a Holder unless that Person agrees to be bound by the terms and conditions of this agreement.

12. Governing Law. This agreement is governed by the laws of the State of New York, without giving effect to principles of conflict of laws.

13. Jurisdiction; Service of Process. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this agreement may be brought against any of the parties in the courts of the State of New York, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York, and each of the parties consents to the jurisdiction of those courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any such action or proceeding may be served by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 10. Nothing in this Section 13, however, affects the right of any party to serve legal process in any other manner permitted by law.

14. Entire Agreement. This agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties.

Atlantic and TeraComm are executing this agreement on the date stated in the introductory clause.

TERACOMM RESEARCH, INC.

By: \_\_\_\_\_  
Kenneth A. Puzey President

ATLANTIC TECHNOLOGY VENTURES, INC.

By: \_\_\_\_\_  
A. Joseph Rudick  
President

## EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement"), made in New York, New York as of the 10th day of April, 2000, between Atlantic Technology Ventures, Inc. a Delaware corporation having its executive offices and principal place of business at 150 Broadway, Suite 1110, New York, New York (the "Company"), and Dr. Joseph Rudick, an individual currently residing at 901, Lexington Avenue, New York ("Executive").

WHEREAS, the Company desires to employ Executive, and Executive desires to accept such employment on the terms and conditions hereinafter set forth;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and agreements hereinafter set forth, the Company and Executive agree as follows:

1. Term.

The term of this Agreement shall be the three-year period commencing on April 3, 2000 and ending on April 2, 2003 (the "Term").

2. Employment.

(a) Employment by the Company. Executive agrees to be employed by the Company during the Term upon the terms and subject to the conditions set forth in this Agreement. Executive shall serve as an executive of the Company and shall have such duties as may be prescribed by the Board of Directors and shall serve in such other and/or additional position(s) as the Board of Directors may determine from time to time.

(b) Performance of Duties. Throughout the Term, Executive shall faithfully and diligently perform Executive's duties in conformity with the directions of the Board of Directors and serve the Company to the best of Executive's ability. Until otherwise determined by the Board of Directors, Executive shall have the title of Chief Executive Officer of the Company, and in such capacity shall be principally responsible for the management of the Company and shall report to the Board of Directors of the Company.

(c) Place of Performance. Executive shall be based initially at the Company's offices in New York, New York or such other location(s) in the greater New York area as the Company may determine. Throughout the Term, Executive shall maintain Executive's personal residence within reasonable access to Executive's place of employment.

3. Compensation and Benefits.

(a) Base Salary. The Company agrees to pay to Executive a base salary ("Base Salary") at the annual rate of \$125,000, payable in equal installments consistent with the Company's payroll practices.

(b) Initial Bonus. Within thirty days after the execution of this Agreement, the Company shall pay to Executive a bonus in the amount of \$25,000 in lieu of other compensation otherwise due Executive from the Company.

(c) Bonus. The Company shall pay to Executive an annual bonus (the "Bonus") in an amount to be determined by Compensation Committee of the Board of Directors in its discretion but in no event less than \$25,000. In addition, Executive shall be entitled to participate in any bonus or other incentive programs as may be established by the Company.

(d) Other Bonuses. The Company shall continue to pay to Executive the bonus referenced the October 31, 1999 minutes of the meeting of the Compensation Committee of the Board of Directors in accordance with the terms set by the Compensation Committee.

(e) Grant of Options and Terms Thereof.

(i) The Board of Directors has approved, and the Company has granted to Executive, an option (the "Plan Option"), pursuant to the Company's 1995 Stock Incentive Plan, to purchase one hundred thousand (100,000) shares of the Company's common stock (the "Plan Option Shares"), subject to vesting as set forth below. The exercise price for each Plan Option Share shall be equal to the market value of a share of the Company's common stock on the date of the grant of the Plan Option. The Plan Option Shares shall vest in four equal installments, the first such installment to vest on the first day of the Term and each subsequent installment to vest, respectively, on the first, second, and third anniversary of the grant of the Plan Option, provided that Executive is employed by the Company on each such vesting date. All other terms (including exercisability) of the Plan Option shall be governed by the Company's Stock Incentive Plan, as well as the applicable option agreement to be entered into pursuant to the terms of such plan.

(ii) In order to induce Executive to enter into this Agreement, the Board of Directors has approved, and the Company has granted to Executive, an option (the "Non-Plan Option") to purchase twenty-five thousand (25,000) shares of the Company's common stock (the "Non-Plan Option Shares"), subject to vesting as set forth below. The exercise price for each Non-Plan Option Share shall be equal to the market value of a share of the Company's

common stock on the date of the grant of the Non-Plan Option. The Non-Plan Option Shares shall vest in four equal installments, the first such installment to vest on the first day of the Term and each subsequent installment to vest, respectively, on the first, second, and third anniversary of the grant of the Non-Plan Option, provided that Executive is employed by the Company on each such vesting date. All other terms (including exercisability) of the Non-Plan Option shall be governed by the applicable option agreement to be entered into by the Company and Executive and shall otherwise be subject to the terms set forth in the Company's 1995 Stock Incentive Plan, it being recognized that the Non-Plan Option has not been granted under such plan.

(f) Benefits and Perquisites. Executive shall be entitled to participate in, to the extent Executive is otherwise eligible under the terms thereof, the benefit plans and programs, and receive the benefits and perquisites, generally provided to executives of the same

level and responsibility as Executive, including without limitation family medical insurance and life insurance (subject to applicable employee contributions). Executive shall be entitled to four weeks of vacation per year.

(g) Travel and Business Expenses. Upon submission of itemized expense statements in the manner specified by the Company, Executive shall be entitled to reimbursement for reasonable travel and other reasonable business expenses duly incurred by Executive in the performance of Executive's duties under this Agreement in accordance with the policies and procedures established by the Company from time to time for executives of the same level and responsibility as Executive.

(h) Waiver of Compensation for Board Service. Executive waives any right to receive additional compensation in respect of service as a director of the Company or a member of any committees of the Board of Directors, and agrees that the consideration set forth in this Agreement shall constitute compensation for such services as may be requested of Executive by the Company.

(i) No Other Compensation or Benefits; Payment. The compensation and benefits specified in this Section 3 and in Section 4 of this Agreement shall be in lieu of any and all other compensation and benefits. Payment of all compensation and benefits to Executive hereunder shall be made in accordance with the relevant Company policies in effect from time to time to the extent the same are consistently applied, including normal payroll practices, and shall be subject to all applicable employment and withholding taxes and other withholdings.

(j) Cessation of Employment. In the event Executive shall cease to be employed by the Company for any reason, then Executive's compensation and benefits shall cease on the date of such event, except as otherwise provided herein or in any applicable employee benefit plan or program.

#### 4. Termination of Employment.

(a) Termination. The Company may terminate Executive's employment for Cause (as defined below) or for any breach of this Agreement, in which case the provisions of Section 4(b) of this Agreement shall apply. The Company may also terminate Executive's employment in the event of Executive's Disability (as defined below), in which case the provisions of Section 4(c) of this Agreement shall apply. The Company may also terminate the Executive's employment for any other reason by written notice to Executive, in which case the provisions of Section 4(d) of this Agreement shall apply. If Executive's employment is terminated by reason of Executive's death, retirement or voluntary resignation, the provisions of Section 4(b) of this Agreement shall apply.

(b) Termination for Cause; Termination by Reason of Death or Retirement or Voluntary Resignation. In the event that Executive's employment hereunder is terminated during the Term (x) by the Company for Cause (as defined below), (y) by reason of Executive's death or retirement or (z) by reason of Executive's voluntary resignation, then the Company shall pay to Executive only the Base Salary through such date of termination. For purposes of this Agreement, "Cause" shall mean (i) conviction of any crime (whether or not

involving the Company) constituting a felony in the jurisdiction involved; (ii) engaging in any substantiated act involving moral turpitude; (iii) engaging in any act which, in each case, subjects, or if generally known would subject, the Company to public ridicule or embarrassment; (iv) gross neglect or misconduct in the performance of Executive's duties hereunder; (v) willful failure or refusal to perform such duties as may reasonably be delegated to Executive; or (vi) material breach of any provision of this Agreement by Executive; provided, however, that with respect to clauses (iv), (v) or (vi), Executive shall have received written notice from the Company setting forth the alleged act or failure to act constituting "Cause" hereunder, and Executive shall not have cured such act or refusal to act within 10 business days of his actual receipt of notice.

(c) Disability. If, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been absent from Executive's duties hereunder on a full time basis for either (i) one hundred twenty (120) days within any three hundred sixty-five (365) day period, or (ii) ninety (90) consecutive days, the Company may terminate Executive's employment hereunder for "Disability". In that event, the Company shall pay to Executive only the Base Salary through such date of termination. During any period that Executive fails to perform Executive's duties hereunder as a result of incapacity due to physical or mental illness (a "Disability Period"), Executive shall continue to receive the compensation and benefits provided by Section 3 of this Agreement until Executive's employment hereunder is terminated; provided, however, that the amount of compensation and benefits received by Executive during the Disability Period shall be reduced by the aggregate amounts, if any, payable to Executive under disability benefit plans and programs of the Company or under the Social Security disability insurance program.

(d) Termination By Company For Any Other Reason. In the event that Executive's employment hereunder is terminated by the Company during the Term for any reason other than as provided in Section 4(b) or 4(c) of this Agreement, then the Company shall pay to Executive the Base Salary through such date of termination and, in lieu of any further compensation and benefits for the balance of the Term, severance pay equal to the Base Salary that Executive would have otherwise received during the period beginning on such date of termination and ending on the earlier of (i) six (6) months from the effective date of such termination and (ii) the last day of the Term, which severance pay shall be paid commencing with such date of termination at the times and in the amounts such Base Salary would have been paid. Notwithstanding anything to the contrary contained herein, in the event that Executive shall breach Section 5 or 6 of this Agreement, in addition to any other remedies the Company may have in the event Executive breaches this Agreement, the Company's obligation pursuant to this Section 4(d) to continue such salary shall cease and Executive's rights thereto shall terminate and shall be forfeited.

(e) No Further Liability; Release. Payment made and performance by the Company in accordance with this Section 4 shall operate to fully discharge and release the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives from any further obligation or liability with respect to Executive's employment and termination of employment. Other than paying Executive's Base Salary through the date of termination of Executive's employment and making any severance payment pursuant to and in accordance with this Section 4 (as applicable), the Company and its

directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives shall have no further obligation or liability to Executive or any other person under this Agreement. The Company shall have the right to condition the payment of any severance pursuant to this Section 4 upon the delivery by Executive to the Company of a release in form and substance satisfactory to the Company of any and all claims Executive may have against the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives arising out of or related to Executive's employment by the Company and the termination of such employment.

5. Noncompetition.

(a) No Conflict; No Other Employment. During the period of Executive's employment with the Company, Executive shall not engage in any activity which conflicts or interferes with or derogates from the performance of Executive's duties hereunder.

(b) No Competition. Executive recognizes the highly competitive nature of the Company's business and that Executive's position with the Company and access to and use of the Company's confidential records and proprietary information renders Executive special and unique. Without limiting the generality of the provisions of Section 2(b) or 5(a) of this Agreement, during the Term and for a period of one year after the termination of Executive's employment with the Company for any reason, Executive shall not, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, stockholder, member, partner, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business located in the United States; provided, however, that ownership of 2% or less of the stock or other securities of a corporation, the stock of which is listed on a national securities exchange or is quoted on The Nasdaq Stock Market, shall not constitute a breach of this Section 4, so long as Executive does not in fact have the power to control, or direct the management of, or is not otherwise associated with, such corporation.

For purposes hereof, the term "Competing Business" shall mean any business or venture which, directly or indirectly, engages in a business that competes with the business of any Related Entity. The term Related Entity shall include all operating subsidiaries of the Company and all other business entities in which the Company has an ownership interest, together with all affiliates thereof.

(c) No Solicitation of Employment. During the Term and for a period of two years thereafter, Executive shall not solicit or encourage any employee of the Company or any Related Entity to leave the Company or such Related Entity for any reason, nor assist any business in doing so, nor employ such an employee in a Competing Business or any other business.

(d) Company Customers. Executive shall not, during the Term and for a period of one year thereafter, except as required by the Company in the performance by Executive of his duties under this Agreement, directly or indirectly, on behalf of a Competing Business, contact, solicit or do business with any "customers" (as defined below) of any Related Entity for the purpose of selling or licensing any product, service, or technology then sold or



licensed by such Related Entity the Company or proposed to be sold or licensed by such Related Entity. For the purposes of the provisions of this Section 5(d), "customer" shall include any entity that, within two years prior to the termination of Executive's employment hereunder, purchased or licensed any product, service, or technology from such Related Entity. The term "customer" also includes any former customer or potential customer of a Related Entity which the Related Entity has solicited within two years prior to the termination of Executive's employment hereunder for the purpose of selling or licensing any product, service, or technology then sold or licensed by the Company or proposed to be sold or licensed.

(e) Executive understands that the provisions of this Section 5 may limit his ability to earn a livelihood in a business that competes with the business of the Related Entities but nevertheless agrees and hereby acknowledges that the consideration provided under this Agreement is sufficient to justify the restrictions contained in such provisions. In consideration thereof and in light of Executive's education, skills and abilities, Executive agrees that he will not assert in any forum that such provisions prevent him from earning a living or otherwise are void or unenforceable or should be held void or unenforceable.

#### 6. Confidential Information.

(a) Existence of Confidential Information. The Company and each Related Entity owns and has developed and compiled, and will develop and compile, certain proprietary techniques and confidential information which have great value to its business (referred to in this Agreement, collectively, as "Confidential Information"). Confidential Information includes not only information disclosed by the Company or any Related Entity to Executive, but also information developed or learned by Executive during the course or as a result of employment with the Company, which information shall be the property of the Company or the applicable Related Entity. Confidential Information includes all information that has or could have commercial value or other utility in the businesses in which the Company or any Related Entity is engaged or contemplates engaging, and all information of which the unauthorized disclosure could be detrimental to the interests of the Company or any Related Entity, whether or not such information is specifically labeled as Confidential Information by such entity. By way of example and without limitation, Confidential Information includes any and all information developed, obtained, licensed by or to or owned by the Company or any Related Entity concerning trade secrets, techniques, know-how (including designs, plans, procedures, merchandising, marketing, distribution and warehousing know-how, processes, and research records), software, computer programs and designs, development tools, all proprietary property, and any other intellectual property created, used or sold (through a license or otherwise) by the Company or a Related Entity, electronic data information know-how and processes, innovations, discoveries, improvements, research, development, test results, reports, specifications, data, formats, marketing data and plans, business plans, strategies, forecasts, unpublished financial information, orders, agreements and other forms of documents, price and cost information, merchandising opportunities, expansion plans, budgets, projections, customer, supplier, licensee, licensor and subcontractor identities, characteristics, agreements and operating procedures, and salary, staffing and employment information.

(b) Protection of Confidential Information. Executive acknowledges and agrees that in the performance of Executive's duties hereunder the Company and the Related

Entities may disclose to and entrust Executive with Confidential Information which is the exclusive property of such entities and which Executive may possess or use only in the performance of Executive's duties to the Company. Executive also acknowledges that Executive is aware that the unauthorized disclosure of Confidential Information, among other things, may be prejudicial to the Company's interests or those of a Related Entity, an invasion of privacy and an improper disclosure of trade secrets. Executive shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any corporation, partnership or other entity, individual or other third party, other than in the course of Executive's assigned duties and for the benefit of the Company, any Confidential Information, either during the Term or thereafter. In the event Executive desires to publish the results of Executive's work for or experiences with the Company or any Related Entity through literature, interviews or speeches, Executive will submit requests for such interviews or such literature or speeches to the Chief Executive Officer of the Company at least fourteen (14) days before any anticipated dissemination of such information for a determination of whether such disclosure is in the best interests of the Company, including whether such disclosure may impair trade secret status or constitute an invasion of privacy. Executive agrees not to publish, disclose or otherwise disseminate such information without the prior written approval of the Chief Executive Officer of the Company.

(c) Delivery of Records, Etc. In the event Executive's employment with the Company ceases for any reason, Executive will not remove from the Company's premises without its prior written consent any records (written or electronic), files, drawings, documents, equipment, materials and writings received from, created for or belonging to the Company or any Related Entity, including those which relate to or contain Confidential Information, or any copies thereof. Upon request or when employment with the Company terminates, Executive will immediately deliver the same to the Company.

#### 7. Assignment and Transfer.

(a) Company. This Agreement shall inure to the benefit of and be enforceable by, and may be assigned by the Company to, any purchaser of all or substantially all of the Company's business or assets, any successor to the Company or any assignee thereof (whether direct or indirect, by purchase, merger, consolidation or otherwise).

(b) Executive. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, and any purported assignment, transfer or delegation thereof shall be void; provided, however, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, to Executive's estate.

#### 8. Miscellaneous.

(a) Other Obligations. Executive represents and warrants that neither Executive's employment with the Company nor Executive's performance of Executive's obligations hereunder will conflict with or violate or otherwise be inconsistent with any other obligations, legal or otherwise, which Executive may have. Executive covenants that he shall

perform his duties hereunder in a professional manner and not in conflict or violation, or otherwise inconsistent with other obligations legal or otherwise, which Executive may have.

(b) Nondisclosure; Other Employers. Executive will not disclose to the Company, or use, or induce the Company to use, any proprietary information, trade secrets or confidential business information of others. Executive represents and warrants that Executive does not possess any property, proprietary information, trade secrets and confidential business information belonging to all prior employers.

(c) Cooperation. Following termination of employment with the Company for any reason, Executive shall cooperate with the Company, as requested by the Company, to affect a transition of Executive's responsibilities and to ensure that the Company is aware of all matters being handled by Executive.

(d) No Duty to Mitigate. Executive shall be under no duty to mitigate any losses or damage to the Company with respect to any severance or other amounts payable pursuant to Section 4 of this Agreement.

(e) Protection of Reputation. During the Term and thereafter, Executive agrees that he will take not action which is intended, or would reasonably be expected, to harm the Company or its reputation or which would reasonably be expected to lead to unwanted or unfavorable publicity to the Company.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to principles of the conflict of laws thereof.

(g) Jurisdiction; Forum. Each party hereto consents and submits to the jurisdiction of any state or federal court sitting in the State, City, and County of New York in connection with any dispute arising out of or relating to this Agreement. Each party hereto waives any objection to the laying of venue in such courts and any claim that any such action has been brought in an inconvenient forum. To the extent permitted by law, any judgment in respect of a dispute arising out of or relating to this Agreement may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of such judgment being conclusive evidence of the fact and amount of such judgment.

(h) Waiver of Jury Trial. Each of the parties hereto irrevocably waives any and all right to trial by jury with respect to any action, claim or other proceeding arising out of or relating to this Agreement.

(i) Entire Agreement. This Agreement (including all exhibits and schedules hereto) contains the entire agreement and understanding between the parties hereto in respect of Executive's employment and supersedes, cancels and annuls any prior or contemporaneous written or oral agreements, understandings, commitments and practices between them respecting Executive's employment, including all prior employment agreements, if any, between the Company and Executive, which agreement(s) hereby are terminated and shall be of no further force or effect.

(j) Amendment. This Agreement may be amended only by a writing which makes express reference to this Agreement as the subject of such amendment and which is signed by Executive and, on behalf of the Company, by its duly authorized officer.

(k) Severability. If any term, provision, covenant or condition of this Agreement or part thereof, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void by a court of competent jurisdiction, the remainder of this Agreement and such term, provision, covenant or condition shall remain in full force and effect, and any such invalid, unenforceable or void term, provision, covenant or condition shall be deemed, without further action on the part of the parties hereto, modified, amended and limited, and the court shall have the power to modify, to the extent necessary to render the same and the remainder of this Agreement valid, enforceable and lawful. In this regard, Executive acknowledges that the provisions of Sections 5 and 6 of this Agreement are reasonable and necessary for the protection of the Company.

(l) Construction. The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed according to its fair meaning and not strictly for or against the Company or Executive. The use herein of the word "including," when following any general provision, sentence, clause, statement, term or matter, shall be deemed to mean "including, without limitation." As used herein, "Company" shall mean the Company and its subsidiaries and any purchaser of, successor to or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) of all or substantially all of the Company's business or assets which is obligated to perform this Agreement by operation of law, agreement pursuant to Section 7 of this Agreement or otherwise. As used herein, the words "day" or "days" shall mean a calendar day or days.

(m) Nonwaiver. Neither any course of dealing nor any failure or neglect of either party hereto in any instance to exercise any right, power or privilege hereunder or under law shall constitute a waiver of any other right, power or privilege or of the same right, power or privilege in any other instance. All waivers by either party hereto must be contained in a written instrument signed by the party to be charged and, in the case of the Company, by its duly authorized officer.

(n) Remedies for Breach. The parties hereto agree that Executive is obligated under this Agreement to render personal services during the Term of a special, unique, unusual, extraordinary and intellectual character, thereby giving this Agreement special value, and, in the event of a breach or threatened breach of any covenant of Executive herein, the injury or imminent injury to the value and the goodwill of the Company's business could not be reasonably or adequately compensated in damages in an action at law. Accordingly, Executive expressly acknowledges that the Company shall be entitled to specific performance, injunctive relief or any other equitable remedy against Executive, without the posting of a bond, in the event of any breach or threatened breach of any provision of this Agreement by Executive (including, without limitation, Sections 5 and 6). Without limiting the generality of the foregoing, if Executive breaches or threatens to breach Section 5 or 6 of this Agreement, such breach or threatened breach will entitle the Company, without posting of bond, to an injunction prohibiting (i) Executive from disclosing any Confidential Information to any Competing

Business; (ii) such Competing Business from receiving from Executive or using any such Confidential Information; and (iii) Executive from, indirectly or directly, owning, managing, operating, joining, controlling, participating in, investing in or otherwise being connected or associated with, in any manner, any such Competing Business. The rights and remedies of the parties hereto are cumulative and shall not be exclusive, and each such party shall be entitled to pursue all legal and equitable rights and remedies and to secure performance of the obligations and duties of the other under this Agreement, and the enforcement of one or more of such rights and remedies by a party shall in no way preclude such party from pursuing, at the same time or subsequently, any and all other rights and remedies available to it.

(o) Notices. Any notice, request, consent or approval required or permitted to be given under this Agreement or pursuant to law shall be sufficient if in writing, and if and when sent by certified or registered mail, return receipt requested, with postage prepaid, to Executive's residence (as reflected in the Company's records or as otherwise designated by Executive on thirty (30) days' prior written notice to the Company) or to the Company's principal executive office, attention: President, as the case may be. All such notices, requests, consents and approvals shall be effective upon being deposited in the United States mail. However, the time period in which a response thereto must be given shall commence to run from the date of receipt on the return receipt of the notice, request, consent or approval by the addressee thereof. Rejection or other refusal to accept, or the inability to deliver because of changed address of which no notice was given as provided herein, shall be deemed to be receipt of the notice, request, consent or approval sent.

(p) Assistance in Proceedings, Etc. Executive shall, without additional compensation, during and after expiration of the Term, upon reasonable notice, furnish such information and proper assistance to the Company as may reasonably be required by the Company in connection with any legal or quasi-legal proceeding, including any external or internal investigation, involving the Company or any of its affiliates or in which any of them is, or may become, a party.

(q) Survival. Cessation or termination of Executive's employment with the Company shall not result in termination of this Agreement. The respective obligations of Executive and rights and benefits afforded to the Company as provided in this Agreement shall survive cessation or termination of Executive's employment hereunder.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed on its behalf by an officer thereunto duly authorized and Executive has duly executed this Agreement, all as of the date and year first written above.

ATLANTIC TECHNOLOGY VENTURES, INC.

EXECUTIVE:

By: /s/ Frederic P. Zotos  
-----  
Name: Frederic P. Zotos  
Title: President

/s/ Dr. Joseph Rudick  
-----  
Dr. Joseph Rudick

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement"), made in New York, New York as of the 3rd day of April, 2000, between Atlantic Technology Ventures, Inc. a Delaware corporation having its executive offices and principal place of business at 150 Broadway, Suite 1110, New York, New York (the "Company"), and Frederic P. Zotos, an individual currently residing at 2007 Court North Drive, Melville, New York ("Executive").

WHEREAS, the Company desires to employ Executive, and Executive desires to accept such employment on the terms and conditions hereinafter set forth;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and agreements hereinafter set forth, the Company and Executive agree as follows:

1. Term.

The term of this Agreement shall be the three-year period commencing on April 3, 2000 and ending on April 2, 2003 (the "Term").

2. Employment.

(a) Employment by the Company. Executive agrees to be employed by the Company during the Term upon the terms and subject to the conditions set forth in this Agreement. Executive shall serve as an executive of the Company and shall have such duties as may be prescribed by the Company and shall serve in such other and/or additional position(s) as the Company may determine from time to time.

(b) Performance of Duties. Throughout the Term, Executive shall faithfully and diligently perform Executive's duties in conformity with the directions of the Company and serve the Company to the best of Executive's ability. Executive shall devote Executive's entire working time to the business and affairs of the Company, subject to vacations and sick leave in accordance with Company policy and as otherwise permitted herein. Until otherwise determined by the Company, Executive shall have the title of President of the Company, and in such capacity shall be principally responsible for the management of the Company and shall report to the Chief Executive Officer and the Board of Directors of the Company.

(c) Place of Performance. Executive shall be based initially at the Company's offices in New York, New York or such other location(s) in the greater New York area as the Company may determine. Throughout the Term, Executive shall maintain Executive's personal residence within reasonable access to Executive's place of employment.

3. Compensation and Benefits.

(a) Base Salary. The Company agrees to pay to Executive a base salary ("Base Salary") at the annual rate of \$175,000, payable in equal installments consistent with the Company's payroll practices.

(b) Signing Bonus. Within thirty days after the execution of this Agreement, the Company shall pay to Executive a bonus in the amount of \$50,000 (the "Signing Bonus"). Executive shall repay to the Company the Signing Bonus if Executive is terminated by the Company for Cause (as hereinafter defined) during the Term or voluntarily resigns his employment hereunder during the first twelve months of the Term.

(c) Bonus. The Company shall pay to Executive an annual bonus (the "Bonus") in an amount to be determined by Compensation Committee of the Board of Directors in its discretion but in no event less than \$50,000. In addition, Executive shall be entitled to participate in any bonus or other incentive programs as may be established by the Company.

(d) Grant of Options and Terms Thereof.

(i) The Board of Directors has approved, and the Company has granted to Executive, an option (the "Plan Option"), pursuant to the Company's 1995 Stock Incentive Plan, to purchase one hundred thousand (100,000) shares of the Company's common stock (the "Plan Option Shares"), subject to vesting as set forth below. The exercise price for each Plan Option Share shall be equal to the market value of a share of the Company's common stock on the date of the grant of the Plan Option. The Plan Option Shares shall vest in four equal installments, the first such installment to vest on the first day of the Term and each subsequent installment to vest, respectively, on the first, second, and third anniversary of the grant of the Plan Option, provided that Executive is employed by the Company on each such vesting date. All other terms (including exercisability) of the Plan Option shall be governed by the Company's Stock Incentive Plan, as well as the applicable option agreement to be entered into pursuant to the terms of such plan.

(ii) In order to induce Executive to enter into this Agreement and to become employed by the Company pursuant to the terms hereof, the Board of Directors has approved, and the Company has granted to Executive, an option (the "Non-Plan Option") to purchase one hundred thousand (100,000) shares of the Company's common stock (the "Non-Plan Option Shares"), subject to vesting as set forth below. The exercise price for each Non-Plan Option Share shall be equal to the market value of a share of the Company's common stock on

the date of the grant of the Non-Plan Option. The Non-Plan Option Shares shall vest in four equal installments, the first such installment to vest on the first day of the Term and each subsequent installment to vest, respectively, on the first, second, and third anniversary of the grant of the Non-Plan Option, provided that Executive is employed by the Company on each such vesting date. All other terms (including exercisability) of the Non-Plan Option shall be governed by the applicable option agreement to be entered into by the Company and Executive and shall otherwise be subject to the terms set forth in the Company's 1995 Stock Incentive Plan, it being recognized that the Non-Plan Option has not been granted under such plan.

(e) Benefits and Perquisites. Executive shall be entitled to participate in, to the extent Executive is otherwise eligible under the terms thereof, the benefit plans and programs, and receive the benefits and perquisites, generally provided to executives of the same level and responsibility as Executive, including without limitation family medical insurance and life insurance (subject to applicable employee contributions). Executive shall be entitled to four weeks of vacation per year.

(f) Travel and Business Expenses. Upon submission of itemized expense statements in the manner specified by the Company, Executive shall be entitled to reimbursement for reasonable travel and other reasonable business expenses duly incurred by Executive in the performance of Executive's duties under this Agreement in accordance with the policies and procedures established by the Company from time to time for executives of the same level and responsibility as Executive.

(g) Relocation Expenses. The Company shall reimburse Executive for such expenses reasonably incurred by Executive in connection with the relocation of his residence to New York, New York or its immediate vicinity upon submission of documentation in a form reasonably acceptable to the Company. In addition, Executive shall be entitled to reimbursement of rent and similar temporary living expenses incurred by him during the first three months of the Term in connection with his maintenance of a residence in New York, New York to the extent he continues to maintain his current residence in Melville, New York. Executive must consult with and receive approval from the Company's Chief Executive Officer, which approval shall not be unreasonably withheld, prior to incurring any such expenses. Executive shall be required to repay to the Company any relocation and temporary living expenses reimbursed pursuant to this Section 3(f) if Executive's employment hereunder is terminated (i) by the Company for Cause during the Term or (ii) as a result of Executive's voluntary resignation during the first twelve months of the Term.

(h) Waiver of Compensation for Board Service. Executive waives any right to receive additional compensation in respect of service as a director of the Company or a member of any committees of the Board of Directors, and agrees that the consideration set forth in this Agreement shall constitute compensation for such services as may be requested of Executive by the Company.

(i) Waiver of Compensation From Other Sources. Executive acknowledges and agrees that any compensation, property, or other emoluments to be received by him, directly or indirectly, in connection with any transaction involving the Company or any business of the Company shall be considered property of the Company and upon receipt Executive shall deliver such compensation, property, or emoluments to the Company for its sole benefit. Executive hereby assigns to the Company any existing right to receive any such compensation, property, or emoluments.

(j) No Other Compensation or Benefits; Payment. The compensation and benefits specified in this Section 3 and in Section 4 of this Agreement shall be in lieu of any and all other compensation and benefits. Payment of all compensation and benefits to Executive hereunder shall be made in accordance with the relevant Company policies in effect from time to



time to the extent the same are consistently applied, including normal payroll practices, and shall be subject to all applicable employment and withholding taxes and other withholdings.

(k) Cessation of Employment. In the event Executive shall cease to be employed by the Company for any reason, then Executive's compensation and benefits shall cease on the date of such event, except as otherwise provided herein or in any applicable employee benefit plan or program.

#### 4. Termination of Employment.

(a) Termination. The Company may terminate Executive's employment for Cause (as defined below) or for any breach of this Agreement, in which case the provisions of Section 4(b) of this Agreement shall apply. The Company may also terminate Executive's employment in the event of Executive's Disability (as defined below), in which case the provisions of Section 4(c) of this Agreement shall apply. The Company may also terminate the Executive's employment for any other reason by written notice to Executive, in which case the provisions of Section 4(d) of this Agreement shall apply. If Executive's employment is terminated by reason of Executive's death, retirement or voluntary resignation, the provisions of Section 4(b) of this Agreement shall apply.

(b) Termination for Cause; Termination by Reason of Death or Retirement or Voluntary Resignation. In the event that Executive's employment hereunder is terminated during the Term (x) by the Company for Cause (as defined below), (y) by reason of Executive's death or retirement or (z) by reason of Executive's voluntary resignation, then the Company shall pay to Executive only the Base Salary through such date of termination. For purposes of this Agreement, "Cause" shall mean (i) conviction of any crime (whether or not involving the Company) constituting a felony in the jurisdiction involved; (ii) engaging in any substantiated act involving moral turpitude; (iii) engaging in any act which, in each case, subjects, or if generally known would subject, the Company to public ridicule or embarrassment; (iv) gross neglect or misconduct in the performance of Executive's duties hereunder; (v) willful failure or refusal to perform such duties as may reasonably be delegated to Executive; or (vi) material breach of any provision of this Agreement by Executive; provided, however, that with respect to clauses (iv), (v) or (vi), Executive shall have received written notice from the Company setting forth the alleged act or failure to act constituting "Cause" hereunder, and Executive shall not have cured such act or refusal to act within 10 business days of his actual receipt of notice.

(c) Disability. If, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been absent from Executive's duties hereunder on a full time basis for either (i) one hundred twenty (120) days within any three hundred sixty-five (365) day period, or (ii) ninety (90) consecutive days, the Company may terminate Executive's employment hereunder for "Disability". In that event, the Company shall pay to Executive only the Base Salary through such date of termination. During any period that Executive fails to perform Executive's duties hereunder as a result of incapacity due to physical or mental illness (a "Disability Period"), Executive shall continue to receive the compensation and benefits provided by Section 3 of this Agreement until Executive's employment hereunder is terminated; provided, however, that the amount of compensation and benefits received by Executive during the

Disability Period shall be reduced by the aggregate amounts, if any, payable to Executive under disability benefit plans and programs of the Company or under the Social Security disability insurance program.

(d) Termination By Company For Any Other Reason. In the event that Executive's employment hereunder is terminated by the Company during the Term for any reason other than as provided in Section 4(b) or 4(c) of this Agreement, then the Company shall pay to Executive the Base Salary through such date of termination and, in lieu of any further compensation and benefits for the balance of the Term, severance pay equal to the Base Salary that Executive would have otherwise received during the period beginning on such date of termination and ending on the earlier of (i) six (6) months from the effective date of such termination and (ii) the last day of the Term, which severance pay shall be paid commencing with such date of termination at the times and in the amounts such Base Salary would have been paid. Notwithstanding anything to the contrary contained herein, in the event that Executive shall breach Section 5 or 6 of this Agreement, in addition to any other remedies the Company may have in the event Executive breaches this Agreement, the Company's obligation pursuant to this Section 4(d) to continue such salary shall cease and Executive's rights thereto shall terminate and shall be forfeited.

(e) No Further Liability; Release. Payment made and performance by the Company in accordance with this Section 4 shall operate to fully discharge and release the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives from any further obligation or liability with respect to Executive's employment and termination of employment. Other than paying Executive's Base Salary through the date of termination of Executive's employment and making any severance payment pursuant to and in accordance with this Section 4 (as applicable), the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives shall have no further obligation or liability to Executive or any other person under this Agreement. The Company shall have the right to condition the payment of any severance pursuant to this Section 4 upon the delivery by Executive to the Company of a release in form and substance satisfactory to the Company of any and all claims Executive may have against the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives arising out of or related to Executive's employment by the Company and the termination of such employment.

#### 5. Exclusive Employment; Noncompetition.

(a) No Conflict; No Other Employment. During the period of Executive's employment with the Company, Executive shall not: (i) engage in any activity which conflicts or interferes with or derogates from the performance of Executive's duties hereunder nor shall Executive engage in any other business activity, whether or not such business activity is pursued for gain or profit, except as approved in advance in writing by the Chief Executive Officer or the Board of Directors of the Company; provided, however, that Executive shall be entitled to manage his personal investments and otherwise attend to personal affairs, including charitable activities, in a manner that does not unreasonably interfere with his responsibilities hereunder, or (ii) accept any other employment, whether as an executive or

consultant or in any other capacity, and whether or not compensated therefor, unless Executive receives the prior approval of the Board of Directors.

(b) No Competition. Executive recognizes the highly competitive nature of the Company's business and that Executive's position with the Company and access to and use of the Company's confidential records and proprietary information renders Executive special and unique. Without limiting the generality of the provisions of Section 2(b) or 5(a) of this Agreement, during the Term and for a period of one year after the termination of Executive's employment with the Company for any reason, Executive shall not, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, stockholder, member, partner, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business located in the United States; provided, however, that ownership of 2% or less of the stock or other securities of a corporation, the stock of which is listed on a national securities exchange or is quoted on The Nasdaq Stock Market, shall not constitute a breach of this Section 4, so long as Executive does not in fact have the power to control, or direct the management of, or is not otherwise associated with, such corporation.

For purposes hereof, the term "Competing Business" shall mean any business or venture which, directly or indirectly, engages in a business that competes with the business of any Related Entity. The term Related Entity shall include all operating subsidiaries of the Company and all other business entities in which the Company has an ownership interest, together with all affiliates thereof.

(c) No Solicitation of Employment. During the Term and for a period of two years thereafter, Executive shall not solicit or encourage any employee of the Company or any Related Entity to leave the Company or such Related Entity for any reason, nor assist any business in doing so, nor employ such an employee in a Competing Business or any other business.

(d) Company Customers. Executive shall not, during the Term and for a period of one year thereafter, except as required by the Company in the performance by Executive of his duties under this Agreement, directly or indirectly, on behalf of a Competing Business, contact, solicit or do business with any "customers" (as defined below) of any Related Entity for the purpose of selling or licensing any product, service, or technology then sold or licensed by such Related Entity the Company or proposed to be sold or licensed by such Related Entity. For the purposes of the provisions of this Section 5(d), "customer" shall include any entity that, within two years prior to the termination of Executive's employment hereunder, purchased or licensed any product, service, or technology from such Related Entity. The term "customer" also includes any former customer or potential customer of a Related Entity which the Related Entity has solicited within two years prior to the termination of Executive's employment hereunder for the purpose of selling or licensing any product, service, or technology then sold or licensed by the Company or proposed to be sold or licensed.

(e) Executive understands that the provisions of this Section 5 may limit his ability to earn a livelihood in a business that competes with the business of the Related Entities but nevertheless agrees and hereby acknowledges that the consideration provided under

this Agreement is sufficient to justify the restrictions contained in such provisions. In consideration thereof and in light of Executive's education, skills and abilities, Executive agrees that he will not assert in any forum that such provisions prevent him from earning a living or otherwise are void or unenforceable or should be held void or unenforceable.

#### 6. Confidential Information.

(a) Existence of Confidential Information. The Company and each Related Entity owns and has developed and compiled, and will develop and compile, certain proprietary techniques and confidential information which have great value to its business (referred to in this Agreement, collectively, as "Confidential Information"). Confidential Information includes not only information disclosed by the Company or any Related Entity to Executive, but also information developed or learned by Executive during the course or as a result of employment with the Company, which information shall be the property of the Company or the applicable Related Entity. Confidential Information includes all information that has or could have commercial value or other utility in the businesses in which the Company or any Related Entity is engaged or contemplates engaging, and all information of which the unauthorized disclosure could be detrimental to the interests of the Company or any Related Entity, whether or not such information is specifically labeled as Confidential Information by such entity. By way of example and without limitation, Confidential Information includes any and all information developed, obtained, licensed by or to or owned by the Company or any Related Entity concerning trade secrets, techniques, know-how (including designs, plans, procedures, merchandising, marketing, distribution and warehousing know-how, processes, and research records), software, computer programs and designs, development tools, all proprietary property, and any other intellectual property created, used or sold (through a license or otherwise) by the Company or a Related Entity, electronic data information know-how and processes, innovations, discoveries, improvements, research, development, test results, reports, specifications, data, formats, marketing data and plans, business plans, strategies, forecasts, unpublished financial information, orders, agreements and other forms of documents, price and cost information, merchandising opportunities, expansion plans, budgets, projections, customer, supplier, licensee, licensor and subcontractor identities, characteristics, agreements and operating procedures, and salary, staffing and employment information.

(b) Protection of Confidential Information. Executive acknowledges and agrees that in the performance of Executive's duties hereunder the Company and the Related Entities may disclose to and entrust Executive with Confidential Information which is the exclusive property of such entities and which Executive may possess or use only in the performance of Executive's duties to the Company. Executive also acknowledges that Executive is aware that the unauthorized disclosure of Confidential Information, among other things, may be prejudicial to the Company's interests or those of a Related Entity, an invasion of privacy and an improper disclosure of trade secrets. Executive shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any corporation, partnership or other entity, individual or other third party, other than in the course of Executive's assigned duties and for the benefit of the Company, any Confidential Information, either during the Term or thereafter. In the event Executive desires to publish the results of Executive's work for or experiences with the Company or any Related Entity through literature, interviews or speeches, Executive will submit requests for such interviews or such literature or speeches to the Chief Executive Officer of the

Company at least fourteen (14) days before any anticipated dissemination of such information for a determination of whether such disclosure is in the best interests of the Company, including whether such disclosure may impair trade secret status or constitute an invasion of privacy. Executive agrees not to publish, disclose or otherwise disseminate such information without the prior written approval of the Chief Executive Officer of the Company.

(c) Delivery of Records, Etc. In the event Executive's employment with the Company ceases for any reason, Executive will not remove from the Company's premises without its prior written consent any records (written or electronic), files, drawings, documents, equipment, materials and writings received from, created for or belonging to the Company or any Related Entity, including those which relate to or contain Confidential Information, or any copies thereof. Upon request or when employment with the Company terminates, Executive will immediately deliver the same to the Company.

#### 7. Assignment and Transfer.

(a) Company. This Agreement shall inure to the benefit of and be enforceable by, and may be assigned by the Company to, any purchaser of all or substantially all of the Company's business or assets, any successor to the Company or any assignee thereof (whether direct or indirect, by purchase, merger, consolidation or otherwise).

(b) Executive. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, and any purported assignment, transfer or delegation thereof shall be void; provided, however, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, to Executive's estate.

#### 8. Miscellaneous.

(a) Other Obligations. Executive represents and warrants that neither Executive's employment with the Company nor Executive's performance of Executive's obligations hereunder will conflict with or violate or otherwise be inconsistent with any other obligations, legal or otherwise, which Executive may have. Executive covenants that he shall perform his duties hereunder in a professional manner and not in conflict or violation, or otherwise inconsistent with other obligations legal or otherwise, which Executive may have.

(b) Nondisclosure; Other Employers. Executive will not disclose to the Company, or use, or induce the Company to use, any proprietary information, trade secrets or confidential business information of others. Executive represents and warrants that Executive does not possess any property, proprietary information, trade secrets and confidential business information belonging to all prior employers.

(c) Cooperation. Following termination of employment with the Company for any reason, Executive shall cooperate with the Company, as requested by the Company, to affect a transition of Executive's responsibilities and to ensure that the Company is aware of all matters being handled by Executive.

(d) No Duty to Mitigate. Executive shall be under no duty to mitigate any losses or damage to the Company with respect to any severance or other amounts payable pursuant to Section 4 of this Agreement.

(e) Protection of Reputation. During the Term and thereafter, Executive agrees that he will take not action which is intended, or would reasonably be expected, to harm the Company or its reputation or which would reasonably be expected to lead to unwanted or unfavorable publicity to the Company.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to principles of the conflict of laws thereof.

(g) Jurisdiction; Forum. Each party hereto consents and submits to the jurisdiction of any state or federal court sitting in the State, City, and County of New York in connection with any dispute arising out of or relating to this Agreement. Each party hereto waives any objection to the laying of venue in such courts and any claim that any such action has been brought in an inconvenient forum. To the extent permitted by law, any judgment in respect of a dispute arising out of or relating to this Agreement may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of such judgment being conclusive evidence of the fact and amount of such judgment.

(h) Waiver of Jury Trial. Each of the parties hereto irrevocably waives any and all right to trial by jury with respect to any action, claim or other proceeding arising out of or relating to this Agreement.

(i) Entire Agreement. This Agreement (including all exhibits and schedules hereto) contains the entire agreement and understanding between the parties hereto in respect of Executive's employment and supersedes, cancels and annuls any prior or contemporaneous written or oral agreements, understandings, commitments and practices between them respecting Executive's employment, including all prior employment agreements, if any, between the Company and Executive, which agreement(s) hereby are terminated and shall be of no further force or effect.

(j) Amendment. This Agreement may be amended only by a writing which makes express reference to this Agreement as the subject of such amendment and which is signed by Executive and, on behalf of the Company, by its duly authorized officer.

(k) Severability. If any term, provision, covenant or condition of this Agreement or part thereof, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void by a court of competent jurisdiction, the remainder of this Agreement and such term, provision, covenant or condition shall remain in full force and effect, and any such invalid, unenforceable or void term, provision, covenant or condition shall be deemed, without further action on the part of the parties hereto, modified, amended and limited, and the court shall have the power to modify, to the extent necessary to render the same and the remainder of this Agreement valid, enforceable and lawful. In this regard, Executive

acknowledges that the provisions of Sections 5 and 6 of this Agreement are reasonable and necessary for the protection of the Company.

(l) Construction. The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed according to its fair meaning and not strictly for or against the Company or Executive. The use herein of the word "including," when following any general provision, sentence, clause, statement, term or matter, shall be deemed to mean "including, without limitation." As used herein, "Company" shall mean the Company and its subsidiaries and any purchaser of, successor to or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) of all or substantially all of the Company's business or assets which is obligated to perform this Agreement by operation of law, agreement pursuant to Section 7 of this Agreement or otherwise. As used herein, the words "day" or "days" shall mean a calendar day or days.

(m) Nonwaiver. Neither any course of dealing nor any failure or neglect of either party hereto in any instance to exercise any right, power or privilege hereunder or under law shall constitute a waiver of any other right, power or privilege or of the same right, power or privilege in any other instance. All waivers by either party hereto must be contained in a written instrument signed by the party to be charged and, in the case of the Company, by its duly authorized officer.

(n) Remedies for Breach. The parties hereto agree that Executive is obligated under this Agreement to render personal services during the Term of a special, unique, unusual, extraordinary and intellectual character, thereby giving this Agreement special value, and, in the event of a breach or threatened breach of any covenant of Executive herein, the injury or imminent injury to the value and the goodwill of the Company's business could not be reasonably or adequately compensated in damages in an action at law. Accordingly, Executive expressly acknowledges that the Company shall be entitled to specific performance, injunctive relief or any other equitable remedy against Executive, without the posting of a bond, in the event of any breach or threatened breach of any provision of this Agreement by Executive (including, without limitation, Sections 5 and 6). Without limiting the generality of the foregoing, if Executive breaches or threatens to breach Section 5 or 6 of this Agreement, such breach or threatened breach will entitle the Company, without posting of bond, to an injunction prohibiting (i) Executive from disclosing any Confidential Information to any Competing Business; (ii) such Competing Business from receiving from Executive or using any such Confidential Information; and (iii) Executive from, indirectly or directly, owning, managing, operating, joining, controlling, participating in, investing in or otherwise being connected or associated with, in any manner, any such Competing Business. The rights and remedies of the parties hereto are cumulative and shall not be exclusive, and each such party shall be entitled to pursue all legal and equitable rights and remedies and to secure performance of the obligations and duties of the other under this Agreement, and the enforcement of one or more of such rights and remedies by a party shall in no way preclude such party from pursuing, at the same time or subsequently, any and all other rights and remedies available to it.

(o) Notices. Any notice, request, consent or approval required or permitted to be given under this Agreement or pursuant to law shall be sufficient if in writing,

and if and when sent by certified or registered mail, return receipt requested, with postage prepaid, to Executive's residence (as reflected in the Company's records or as otherwise designated by Executive on thirty (30) days' prior written notice to the Company) or to the Company's principal executive office, attention: President, as the case may be. All such notices, requests, consents and approvals shall be effective upon being deposited in the United States mail. However, the time period in which a response thereto must be given shall commence to run from the date of receipt on the return receipt of the notice, request, consent or approval by the addressee thereof. Rejection or other refusal to accept, or the inability to deliver because of changed address of which no notice was given as provided herein, shall be deemed to be receipt of the notice, request, consent or approval sent.

(p) Assistance in Proceedings, Etc. Executive shall, without additional compensation, during and after expiration of the Term, upon reasonable notice, furnish such information and proper assistance to the Company as may reasonably be required by the Company in connection with any legal or quasi-legal proceeding, including any external or internal investigation, involving the Company or any of its affiliates or in which any of them is, or may become, a party.

(q) Survival. Cessation or termination of Executive's employment with the Company shall not result in termination of this Agreement. The respective obligations of Executive and rights and benefits afforded to the Company as provided in this Agreement shall survive cessation or termination of Executive's employment hereunder.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed on its behalf by an officer thereunto duly authorized and Executive has duly executed this Agreement, all as of the date and year first written above.

ATLANTIC TECHNOLOGY VENTURES, INC.

EXECUTIVE:

By: /s/ A. Joseph Rudic  
-----  
Name: A. Joseph Rudic  
Title: CEO

/s/ Frederic P. Zotos  
-----  
Frederic P. Zotos



## EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement"), made in New York, New York as of the 10th day of April, 2000, between Atlantic Technology Ventures, Inc. a Delaware corporation having its executive offices and principal place of business at 150 Broadway, Suite 1110, New York, New York (the "Company"), and Nicholas Rossettos, an individual currently residing at 64 Highland Avenue, Apt 18, Winchester, Massachusetts ("Executive").

WHEREAS, the Company desires to employ Executive, and Executive desires to accept such employment on the terms and conditions hereinafter set forth;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and agreements hereinafter set forth, the Company and Executive agree as follows:

### 1. Term.

The term of this Agreement shall be the three-year period commencing on April \_\_, 2000 and ending on April \_\_, 2003 (the "Term").

### 2. Employment.

(a) Employment by the Company. Executive agrees to be employed by the Company during the Term upon the terms and subject to the conditions set forth in this Agreement. Executive shall serve as an executive of the Company and shall have such duties as may be prescribed by the Company and shall serve in such other and/or additional position(s) as the Company may determine from time to time.

(b) Performance of Duties. Throughout the Term, Executive shall faithfully and diligently perform Executive's duties in conformity with the directions of the Company and serve the Company to the best of Executive's ability. Executive shall devote Executive's entire working time to the business and affairs of the Company, subject to vacations and sick leave in accordance with Company policy and as otherwise permitted herein. Until otherwise determined by the Company, Executive shall have the title of Chief Financial Officer of the Company, and in such capacity shall have such authority and duties as may be assigned by the President or Chief Executive Officer of the Company and shall report to the President and the Chief Executive Officer of the Company.

(c) Place of Performance. Executive shall be based initially at the Company's offices in New York, New York or such other location(s) in the greater New York area as the Company may determine. Throughout the Term, Executive shall maintain Executive's personal residence within reasonable access to Executive's place of employment.

### 3. Compensation and Benefits.

(a) Base Salary. The Company agrees to pay to Executive a base salary ("Base Salary") at the annual rate of \$125,000, payable in equal installments consistent with the Company's payroll practices.

(b) Signing Bonus. Within thirty days after the execution of this Agreement, the Company shall pay to Executive a bonus in the amount of \$25,000 (the "Signing Bonus"). Executive shall repay to the Company the Signing Bonus if Executive is terminated by the Company for Cause (as hereinafter defined) during the Term or voluntarily resigns his employment hereunder during the first twelve months of the Term.

(c) Bonus. The Company shall pay to Executive an annual bonus (the "Bonus") in an amount to be determined by Compensation Committee of the Board of Directors in its discretion but in no event less than \$25,000. In addition, Executive shall be entitled to participate in any bonus or other incentive programs as may be established by the Company.

(d) Grant of Options and Terms Thereof. The Company shall grant to Executive, an option (the "Option"), pursuant to the Company's 1995 Stock Incentive Plan, to purchase fifty thousand (50,000) shares of the Company's common stock (the "Option Shares"), subject to vesting as set forth below. The exercise price for each Option Share shall be equal to the market value of a share of the Company's common stock on the date of the grant of the Option. The Option Shares shall vest in four equal installments, the first such installment to vest on the later of the date of the grant of the Option and the first day of the Term and each subsequent installment to vest, respectively, on the first, second, and third anniversary of the grant of the Option, provided that Executive is employed by the Company on each such vesting date.. All other terms (including exercisability) of the Option shall be governed by the Company's Stock Incentive Plan, as well as the applicable option agreement to be entered into pursuant to the terms of such plan.

(e) Benefits and Perquisites. Executive shall be entitled to participate in, to the extent Executive is otherwise eligible under the terms thereof, the benefit plans and programs, and receive the benefits and perquisites, generally provided to executives of the same level and responsibility as Executive, including without limitation family medical insurance and life insurance (subject to applicable employee contributions). Executive shall be entitled to four weeks of vacation per year.

(f) Travel and Business Expenses. Upon submission of itemized expense statements in the manner specified by the Company, Executive shall be entitled to reimbursement for reasonable travel and other reasonable business expenses duly incurred by Executive in the performance of Executive's duties under this Agreement in accordance with the policies and procedures established by the Company from time to time for executives of the same level and responsibility as Executive.

(g) Relocation Expenses. The Company shall reimburse Executive for such expenses reasonably incurred by Executive in connection with the relocation of his residence to New York, New York or its immediate vicinity upon submission of documentation

in a form reasonably acceptable to the Company, provided that Executive must consult with and receive approval from the Company, which approval shall not be unreasonably withheld, prior to incurring any such expenses. In addition, Executive shall be entitled to reimbursement of rent and similar temporary living expenses incurred by him during the first three months of the Term in connection with his maintenance of a residence in or in the vicinity of New York, New York to the extent he continues to maintain his current residence in \_\_\_\_\_, Massachusetts, provided that Executive must consult with and receive approval from the Company, which approval shall not be unreasonably withheld, prior to incurring any such expenses. Executive shall be required to repay to the Company any relocation and temporary living expenses reimbursed pursuant to this Section 3(f) if Executive's employment hereunder is terminated (i) by the Company for Cause during the Term or (ii) as a result of Executive's voluntary resignation during the first twelve months of the Term.

(h) No Other Compensation or Benefits; Payment. The compensation and benefits specified in this Section 3 and in Section 4 of this Agreement shall be in lieu of any and all other compensation and benefits. Payment of all compensation and benefits to Executive hereunder shall be made in accordance with the relevant Company policies in effect from time to time to the extent the same are consistently applied, including normal payroll practices, and shall be subject to all applicable employment and withholding taxes and other withholdings.

(i) Cessation of Employment. In the event Executive shall cease to be employed by the Company for any reason, then Executive's compensation and benefits shall cease on the date of such event, except as otherwise provided herein or in any applicable employee benefit plan or program.

#### 4. Termination of Employment.

(a) Termination. The Company may terminate Executive's employment for during the first three months of the Term for any reason or no reason, in which case the provisions of Section 4(b) of this Agreement shall apply. The Company may terminate Executive's employment for Cause (as defined below) or for any breach of this Agreement, in which case the provisions of Section 4(c) of this Agreement shall apply. The Company may also terminate Executive's employment in the event of Executive's Disability (as defined below), in which case the provisions of Section 4(d) of this Agreement shall apply. The Company may also terminate the Executive's employment for any other reason by written notice to Executive, in which case the provisions of Section 4(e) of this Agreement shall apply. If Executive's employment is terminated by reason of Executive's death, retirement or voluntary resignation, the provisions of Section 4(c) of this Agreement shall apply.

(b) Termination by the Company During Initial Period. In the event that Executive's employment hereunder is terminated by the Company during the first three months of the Term (such period to be the "Initial Period") for any reason or no reason, then the Company shall pay to Executive only the Base Salary through such date of termination and any expenses incurred by Executive through the date of such termination and properly reimbursable pursuant to Section 3(g) hereof.

(c) Termination for Cause; Termination by Reason of Death or Retirement or Voluntary Resignation. In the event that Executive's employment hereunder is terminated during the Term (x) by the Company for Cause (as defined below), (y) by reason of Executive's death or retirement or (z) by reason of Executive's voluntary resignation, then the Company shall pay to Executive only the Base Salary through such date of termination. For purposes of this Agreement, "Cause" shall mean (i) conviction of any crime (whether or not involving the Company) constituting a felony in the jurisdiction involved; (ii) engaging in any substantiated act involving moral turpitude; (iii) engaging in any act which, in each case, subjects, or if generally known would subject, the Company to public ridicule or embarrassment; (iv) gross neglect or misconduct in the performance of Executive's duties hereunder; (v) willful failure or refusal to perform such duties as may reasonably be delegated to Executive; or (vi) material breach of any provision of this Agreement by Executive; provided, however, that with respect to clauses (iv), (v) or (vi), Executive shall have received written notice from the Company setting forth the alleged act or failure to act constituting "Cause" hereunder, and Executive shall not have cured such act or refusal to act within 10 business days of his actual receipt of notice.

(d) Disability. If, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been absent from Executive's duties hereunder on a full time basis for either (i) one hundred twenty (120) days within any three hundred sixty-five (365) day period, or (ii) ninety (90) consecutive days, the Company may terminate Executive's employment hereunder for "Disability". In that event, the Company shall pay to Executive only the Base Salary through such date of termination. During any period that Executive fails to perform Executive's duties hereunder as a result of incapacity due to physical or mental illness (a "Disability Period"), Executive shall continue to receive the compensation and benefits provided by Section 3 of this Agreement until Executive's employment hereunder is terminated; provided, however, that the amount of compensation and benefits received by Executive during the Disability Period shall be reduced by the aggregate amounts, if any, payable to Executive under disability benefit plans and programs of the Company or under the Social Security disability insurance program.

(e) Termination By Company For Any Other Reason. In the event that Executive's employment hereunder is terminated by the Company during the Term for any reason other than as provided in Section 4(b), 4(c), or 4(d) of this Agreement, then the Company shall pay to Executive the Base Salary through such date of termination and, in lieu of any further compensation and benefits for the balance of the Term, severance pay equal to the Base Salary that Executive would have otherwise received during the period beginning on such date of termination and ending on the earlier of (i) three (3) months from the effective date of such termination and (ii) the last day of the Term, which severance pay shall be paid commencing with such date of termination at the times and in the amounts such Base Salary would have been paid. Notwithstanding anything to the contrary contained herein, in the event that Executive shall breach Section 5 or 6 of this Agreement, in addition to any other remedies the Company may have in the event Executive breaches this Agreement, the Company's obligation pursuant to this Section 4(e) to continue such salary shall cease and Executive's rights thereto shall terminate and shall be forfeited.

(f) No Further Liability; Release. Payment made and performance by the Company in accordance with this Section 4 shall operate to fully discharge and release the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives from any further obligation or liability with respect to Executive's employment and termination of employment. Other than paying Executive's Base Salary through the date of termination of Executive's employment and making any severance payment pursuant to and in accordance with this Section 4 (as applicable), the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives shall have no further obligation or liability to Executive or any other person under this Agreement. The Company shall have the right to condition the payment of any severance pursuant to this Section 4 upon the delivery by Executive to the Company of a release in form and substance satisfactory to the Company of any and all claims Executive may have against the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives arising out of or related to Executive's employment by the Company and the termination of such employment.

5. Exclusive Employment; Noncompetition.

(a) No Conflict; No Other Employment. During the period of Executive's employment with the Company, Executive shall not: (i) engage in any activity which conflicts or interferes with or derogates from the performance of Executive's duties hereunder nor shall Executive engage in any other business activity, whether or not such business activity is pursued for gain or profit, except as approved in advance in writing by the Chief Executive Officer or the Board of Directors of the Company; provided, however, that Executive shall be entitled to manage his personal investments and otherwise attend to personal affairs, including charitable activities, in a manner that does not unreasonably interfere with his responsibilities hereunder, or (ii) accept any other employment, whether as an executive or consultant or in any other capacity, and whether or not compensated therefor, unless Executive receives the prior approval of the Board of Directors.

(b) No Competition. Executive recognizes the highly competitive nature of the Company's business and that Executive's position with the Company and access to and use of the Company's confidential records and proprietary information renders Executive special and unique. Without limiting the generality of the provisions of Section 2(b) or 5(a) of this Agreement, during the Term and for a period of one year after the termination of Executive's employment with the Company for any reason, Executive shall not, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, stockholder, member, partner, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business located in the United States; provided, however, that ownership of 2% or less of the stock or other securities of a corporation, the stock of which is listed on a national securities exchange or is quoted on The Nasdaq Stock Market, shall not constitute a breach of this Section 4, so long as Executive does not in fact have the power to control, or direct the management of, or is not otherwise associated with, such corporation.

For purposes hereof, the term "Competing Business" shall mean any business or venture which, directly or indirectly, engages in a business that competes with the business of

any Related Entity. The term Related Entity shall include all operating subsidiaries of the Company and all other business entities in which the Company has an ownership interest, together with all affiliates thereof.

(c) No Solicitation of Employment. During the Term and for a period of two years thereafter, Executive shall not solicit or encourage any employee of the Company or any Related Entity to leave the Company or such Related Entity for any reason, nor assist any business in doing so, nor employ such an employee in a Competing Business or any other business.

(d) Company Customers. Executive shall not, during the Term and for a period of one year thereafter, except as required by the Company in the performance by Executive of his duties under this Agreement, directly or indirectly, on behalf of a Competing Business, contact, solicit or do business with any "customers" (as defined below) of any Related Entity for the purpose of selling or licensing any product, service, or technology then sold or licensed by such Related Entity the Company or proposed to be sold or licensed by such Related Entity. For the purposes of the provisions of this Section 5(d), "customer" shall include any entity that, within two years prior to the termination of Executive's employment hereunder, purchased or licensed any product, service, or technology from such Related Entity. The term "customer" also includes any former customer or potential customer of a Related Entity which the Related Entity has solicited within two years prior to the termination of Executive's employment hereunder for the purpose of selling or licensing any product, service, or technology then sold or licensed by the Company or proposed to be sold or licensed.

(e) Executive understands that the provisions of this Section 5 may limit his ability to earn a livelihood in a business that competes with the business of the Related Entities but nevertheless agrees and hereby acknowledges that the consideration provided under this Agreement is sufficient to justify the restrictions contained in such provisions. In consideration thereof and in light of Executive's education, skills and abilities, Executive agrees that he will not assert in any forum that such provisions prevent him from earning a living or otherwise are void or unenforceable or should be held void or unenforceable.

#### 6. Confidential Information.

(a) Existence of Confidential Information. The Company and each Related Entity owns and has developed and compiled, and will develop and compile, certain proprietary techniques and confidential information which have great value to its business (referred to in this Agreement, collectively, as "Confidential Information"). Confidential Information includes not only information disclosed by the Company or any Related Entity to Executive, but also information developed or learned by Executive during the course or as a result of employment with the Company, which information shall be the property of the Company or the applicable Related Entity. Confidential Information includes all information that has or could have commercial value or other utility in the businesses in which the Company or any Related Entity is engaged or contemplates engaging, and all information of which the unauthorized disclosure could be detrimental to the interests of the Company or any Related Entity, whether or not such information is specifically labeled as Confidential Information by such entity. By way of example and without limitation, Confidential Information includes any

and all information developed, obtained, licensed by or to or owned by the Company or any Related Entity concerning trade secrets, techniques, know-how (including designs, plans, procedures, merchandising, marketing, distribution and warehousing know-how, processes, and research records), software, computer programs and designs, development tools, all proprietary property, and any other intellectual property created, used or sold (through a license or otherwise) by the Company or a Related Entity, electronic data information know-how and processes, innovations, discoveries, improvements, research, development, test results, reports, specifications, data, formats, marketing data and plans, business plans, strategies, forecasts, unpublished financial information, orders, agreements and other forms of documents, price and cost information, merchandising opportunities, expansion plans, budgets, projections, customer, supplier, licensee, licensor and subcontractor identities, characteristics, agreements and operating procedures, and salary, staffing and employment information.

(b) Protection of Confidential Information. Executive acknowledges and agrees that in the performance of Executive's duties hereunder the Company and the Related Entities may disclose to and entrust Executive with Confidential Information which is the exclusive property of such entities and which Executive may possess or use only in the performance of Executive's duties to the Company. Executive also acknowledges that Executive is aware that the unauthorized disclosure of Confidential Information, among other things, may be prejudicial to the Company's interests or those of a Related Entity, an invasion of privacy and an improper disclosure of trade secrets. Executive shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any corporation, partnership or other entity, individual or other third party, other than in the course of Executive's assigned duties and for the benefit of the Company, any Confidential Information, either during the Term or thereafter. In the event Executive desires to publish the results of Executive's work for or experiences with the Company or any Related Entity through literature, interviews or speeches, Executive will submit requests for such interviews or such literature or speeches to the Chief Executive Officer of the Company at least fourteen (14) days before any anticipated dissemination of such information for a determination of whether such disclosure is in the best interests of the Company, including whether such disclosure may impair trade secret status or constitute an invasion of privacy. Executive agrees not to publish, disclose or otherwise disseminate such information without the prior written approval of the Chief Executive Officer of the Company.

(c) Delivery of Records, Etc. In the event Executive's employment with the Company ceases for any reason, Executive will not remove from the Company's premises without its prior written consent any records (written or electronic), files, drawings, documents, equipment, materials and writings received from, created for or belonging to the Company or any Related Entity, including those which relate to or contain Confidential Information, or any copies thereof. Upon request or when employment with the Company terminates, Executive will immediately deliver the same to the Company.

#### 7. Assignment and Transfer.

(a) Company. This Agreement shall inure to the benefit of and be enforceable by, and may be assigned by the Company to, any purchaser of all or substantially all of the Company's business or assets, any successor to the Company or any assignee thereof (whether direct or indirect, by purchase, merger, consolidation or otherwise).

(b) Executive. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, and any purported assignment, transfer or delegation thereof shall be void; provided, however, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, to Executive's estate.

#### 8. Miscellaneous.

(a) Other Obligations. Executive represents and warrants that neither Executive's employment with the Company nor Executive's performance of Executive's obligations hereunder will conflict with or violate or otherwise be inconsistent with any other obligations, legal or otherwise, which Executive may have. Executive covenants that he shall perform his duties hereunder in a professional manner and not in conflict or violation, or otherwise inconsistent with other obligations legal or otherwise, which Executive may have.

(b) Nondisclosure; Other Employers. Executive will not disclose to the Company, or use, or induce the Company to use, any proprietary information, trade secrets or confidential business information of others. Executive represents and warrants that Executive does not possess any property, proprietary information, trade secrets and confidential business information belonging to all prior employers.

(c) Cooperation. Following termination of employment with the Company for any reason, Executive shall cooperate with the Company, as requested by the Company, to affect a transition of Executive's responsibilities and to ensure that the Company is aware of all matters being handled by Executive.

(d) No Duty to Mitigate. Executive shall be under no duty to mitigate any losses or damage to the Company with respect to any severance or other amounts payable pursuant to Section 4 of this Agreement.

(e) Protection of Reputation. During the Term and thereafter, Executive agrees that he will take not action which is intended, or would reasonably be expected, to harm the Company or its reputation or which would reasonably be expected to lead to unwanted or unfavorable publicity to the Company.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to principles of the conflict of laws thereof.

(g) Jurisdiction; Forum. Each party hereto consents and submits to the jurisdiction of any state or federal court sitting in the State, City, and County of New York in connection with any dispute arising out of or relating to this Agreement. Each party hereto waives any objection to the laying of venue in such courts and any claim that any such action has been brought in an inconvenient forum. To the extent permitted by law, any judgment in respect of a dispute arising out of or relating to this Agreement may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of such judgment being conclusive evidence of the fact and amount of such judgment.



(h) Waiver of Jury Trial. Each of the parties hereto irrevocably waives any and all right to trial by jury with respect to any action, claim or other proceeding arising out of or relating to this Agreement.

(i) Entire Agreement. This Agreement (including all exhibits and schedules hereto) contains the entire agreement and understanding between the parties hereto in respect of Executive's employment and supersedes, cancels and annuls any prior or contemporaneous written or oral agreements, understandings, commitments and practices between them respecting Executive's employment, including all prior employment agreements, if any, between the Company and Executive, which agreement(s) hereby are terminated and shall be of no further force or effect.

(j) Amendment. This Agreement may be amended only by a writing which makes express reference to this Agreement as the subject of such amendment and which is signed by Executive and, on behalf of the Company, by its duly authorized officer.

(k) Severability. If any term, provision, covenant or condition of this Agreement or part thereof, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void by a court of competent jurisdiction, the remainder of this Agreement and such term, provision, covenant or condition shall remain in full force and effect, and any such invalid, unenforceable or void term, provision, covenant or condition shall be deemed, without further action on the part of the parties hereto, modified, amended and limited, and the court shall have the power to modify, to the extent necessary to render the same and the remainder of this Agreement valid, enforceable and lawful. In this regard, Executive acknowledges that the provisions of Sections 5 and 6 of this Agreement are reasonable and necessary for the protection of the Company.

(l) Construction. The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed according to its fair meaning and not strictly for or against the Company or Executive. The use herein of the word "including," when following any general provision, sentence, clause, statement, term or matter, shall be deemed to mean "including, without limitation." As used herein, "Company" shall mean the Company and its subsidiaries and any purchaser of, successor to or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) of all or substantially all of the Company's business or assets which is obligated to perform this Agreement by operation of law, agreement pursuant to Section 7 of this Agreement or otherwise. As used herein, the words "day" or "days" shall mean a calendar day or days.

(m) Nonwaiver. Neither any course of dealing nor any failure or neglect of either party hereto in any instance to exercise any right, power or privilege hereunder or under law shall constitute a waiver of any other right, power or privilege or of the same right, power or privilege in any other instance. All waivers by either party hereto must be contained in a written instrument signed by the party to be charged and, in the case of the Company, by its duly authorized officer.

(n) Remedies for Breach. The parties hereto agree that Executive is obligated under this Agreement to render personal services during the Term of a special, unique, unusual, extraordinary and intellectual character, thereby giving this Agreement special value, and, in the event of a breach or threatened breach of any covenant of Executive herein, the injury or imminent injury to the value and the goodwill of the Company's business could not be reasonably or adequately compensated in damages in an action at law. Accordingly, Executive expressly acknowledges that the Company shall be entitled to specific performance, injunctive relief or any other equitable remedy against Executive, without the posting of a bond, in the event of any breach or threatened breach of any provision of this Agreement by Executive (including, without limitation, Sections 5 and 6). Without limiting the generality of the foregoing, if Executive breaches or threatens to breach Section 5 or 6 of this Agreement, such breach or threatened breach will entitle the Company, without posting of bond, to an injunction prohibiting (i) Executive from disclosing any Confidential Information to any Competing Business; (ii) such Competing Business from receiving from Executive or using any such Confidential Information; and (iii) Executive from, indirectly or directly, owning, managing, operating, joining, controlling, participating in, investing in or otherwise being connected or associated with, in any manner, any such Competing Business. The rights and remedies of the parties hereto are cumulative and shall not be exclusive, and each such party shall be entitled to pursue all legal and equitable rights and remedies and to secure performance of the obligations and duties of the other under this Agreement, and the enforcement of one or more of such rights and remedies by a party shall in no way preclude such party from pursuing, at the same time or subsequently, any and all other rights and remedies available to it.

(o) Notices. Any notice, request, consent or approval required or permitted to be given under this Agreement or pursuant to law shall be sufficient if in writing, and if and when sent by certified or registered mail, return receipt requested, with postage prepaid, to Executive's residence (as reflected in the Company's records or as otherwise designated by Executive on thirty (30) days' prior written notice to the Company) or to the Company's principal executive office, attention: President, as the case may be. All such notices, requests, consents and approvals shall be effective upon being deposited in the United States mail. However, the time period in which a response thereto must be given shall commence to run from the date of receipt on the return receipt of the notice, request, consent or approval by the addressee thereof. Rejection or other refusal to accept, or the inability to deliver because of changed address of which no notice was given as provided herein, shall be deemed to be receipt of the notice, request, consent or approval sent.

(p) Assistance in Proceedings, Etc. Executive shall, without additional compensation, during and after expiration of the Term, upon reasonable notice, furnish such information and proper assistance to the Company as may reasonably be required by the Company in connection with any legal or quasi-legal proceeding, including any external or internal investigation, involving the Company or any of its affiliates or in which any of them is, or may become, a party.

(q) Survival. Cessation or termination of Executive's employment with the Company shall not result in termination of this Agreement. The respective obligations of Executive and rights and benefits afforded to the Company as provided in this Agreement shall survive cessation or termination of Executive's employment hereunder.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed on its behalf by an officer thereunto duly authorized and Executive has duly executed this Agreement, all as of the date and year first written above.

ATLANTIC TECHNOLOGY VENTURES, INC.

EXECUTIVE:

By: /s/ A. Joseph Rudick  
-----  
Name: A. Joseph Rudick  
Title: CEO

/s/ Nicholas Rossettos  
-----  
Nicholas Rossettos

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement"), made in New York, New York as of the 15th day of May, 2000, between Atlantic Technology Ventures, Inc. a Delaware corporation having its executive offices and principal place of business at 150 Broadway, Suite 1110, New York, New York (the "Company"), and Walter Glomb, an individual currently residing at 1 Oakwood Circle, Ellington, CT 06029 ("Executive").

WHEREAS, the Company desires to employ Executive, and Executive desires to accept such employment on the terms and conditions hereinafter set forth;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and agreements hereinafter set forth, the Company and Executive agree as follows:

1. Term.

The term of this Agreement shall be the three-year period commencing on May 15, 2000 and ending on May 15, 2003 (the "Term").

2. Employment.

(a) Employment by the Company. Executive agrees to be employed by the Company during the Term upon the terms and subject to the conditions set forth in this Agreement. Executive shall serve as an executive of the Company and shall have such duties as may be prescribed by the Company and shall serve in such other and/or additional position(s) as the Company may determine from time to time.

(b) Performance of Duties. Throughout the Term, Executive shall faithfully and diligently perform Executive's duties in conformity with the directions of the Company and serve the Company to the best of Executive's ability. Executive shall devote Executive's entire working time to the business and affairs of the Company, subject to vacations and sick leave in accordance with Company policy and as otherwise permitted herein. Until otherwise determined by the Company, Executive shall have the title of Vice President of the Company, and in such capacity shall have such authority and duties as may be assigned by the President or Chief Executive Officer of the Company and shall report to the President and the Chief Executive Officer of the Company.

(c) Place of Performance. Executive shall be based initially at an office in the greater Hartford, Connecticut area. During his employment with the Company, Executive will work at the Company's offices in New York, New York, as necessary or appropriate (as determined in the Company's sole discretion), to or at such other location(s) in the greater New York area as the Company may determine. Throughout the Term, Executive shall maintain Executive's personal residence within reasonable access to Executive's place of employment.

3. Compensation and Benefits.

(a) Base Salary. The Company agrees to pay to Executive a base salary ("Base Salary") at the annual rate of \$125,000, payable in equal installments consistent with the Company's payroll practices.

(b) Bonus. The Company shall pay to Executive an annual bonus (the "Bonus") in an amount to be determined by Compensation Committee of the Board of Directors in its discretion but in no event less than \$25,000. In addition, Executive shall be entitled to participate in any bonus or other incentive programs as may be established by the Company.

(c) Grant of Options and Terms Thereof. The Company shall grant to Executive, an option (the "Option"), pursuant to the Company's 1995 Stock Incentive Plan, to purchase fifty thousand (50,000) shares of the Company's common stock (the "Option Shares"), subject to vesting as set forth below. The exercise price for each Option Share shall be equal to the market value of a share of the Company's common stock on the date of the grant of the Option. The Option Shares shall vest in four equal installments, the first such installment to vest on the later of the date of the grant of the Option and the first day of the Term and each subsequent installment to vest, respectively, on the first, second, and third anniversary of the grant of the Option, provided that Executive is employed by the Company on each such vesting date.. All other terms (including exercisability) of the Option shall be governed by the Company's Stock Incentive Plan, as well as the applicable option agreement to be entered into pursuant to the terms of such plan.

(d) Benefits and Perquisites. Executive shall be entitled to participate in, to the extent Executive is otherwise eligible under the terms thereof, the benefit plans and programs, and receive the benefits and perquisites, generally provided to executives of the same level and responsibility as Executive, including without limitation family medical insurance and life insurance (subject to applicable employee contributions). Executive shall be entitled to four weeks of vacation per year.

(e) Travel and Business Expenses. Upon submission of itemized expense statements in the manner specified by the Company, Executive shall be entitled to reimbursement for reasonable travel and other reasonable business expenses duly incurred by Executive in the performance of Executive's duties under this Agreement in accordance with the policies and procedures established by the Company from time to time for executives of the same level and

responsibility as Executive.

(f) No Other Compensation or Benefits; Payment. The compensation and benefits specified in this Section 3 and in Section 4 of this Agreement shall be in lieu of any and all other compensation and benefits. Payment of all compensation and benefits to Executive hereunder shall be made in accordance with the relevant Company policies in effect from time to time to the extent the same are consistently applied, including normal payroll practices, and shall be subject to all applicable employment and withholding taxes and other withholdings.

(g) Cessation of Employment. In the event Executive shall cease to be employed by the Company for any reason, then Executive's compensation and benefits shall

cease on the date of such event, except as otherwise provided herein or in any applicable employee benefit plan or program.

#### 4. Termination of Employment.

(a) Termination. The Company may terminate Executive's employment for Cause (as defined below) or for any breach of this Agreement, in which case the provisions of Section 4(b) of this Agreement shall apply. The Company may also terminate Executive's employment in the event of Executive's Disability (as defined below), in which case the provisions of Section 4(c) of this Agreement shall apply. The Company may also terminate the Executive's employment for any other reason by written notice to Executive, in which case the provisions of Section 4(d) of this Agreement shall apply. If Executive's employment is terminated by reason of Executive's death, retirement or voluntary resignation, the provisions of Section 4(b) of this Agreement shall apply.

(b) Termination for Cause; Termination by Reason of Death or Retirement or Voluntary Resignation. In the event that Executive's employment hereunder is terminated during the Term (x) by the Company for Cause (as defined below), (y) by reason of Executive's death or retirement or (z) by reason of Executive's voluntary resignation, then the Company shall pay to Executive only the Base Salary through such date of termination. For purposes of this Agreement, "Cause" shall mean (i) conviction of any crime (whether or not involving the Company) constituting a felony in the jurisdiction involved; (ii) engaging in any substantiated act involving moral turpitude; (iii) engaging in any act which, in each case, subjects, or if generally known would subject, the Company to public ridicule or embarrassment; (iv) gross neglect or misconduct in the performance of Executive's duties hereunder; (v) willful failure or refusal to perform such duties as may reasonably be delegated to Executive; or (vi) material breach of any provision of this Agreement by Executive; provided, however, that with respect to clauses (iv), (v) or (vi), Executive shall have received written notice from the Company setting forth the alleged act or failure to act constituting "Cause" hereunder, and Executive shall not have cured such act or refusal to act within 10 business days of his actual receipt of notice.

(c) Disability. If, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been absent from Executive's duties hereunder on a full time basis for either (i) one hundred twenty (120) days within any three hundred sixty-five (365) day period, or (ii) ninety (90) consecutive days, the Company may terminate Executive's employment hereunder for "Disability". In that event, the Company shall pay to Executive only the Base Salary through such date of termination. During any period that Executive fails to perform Executive's duties hereunder as a result of incapacity due to physical or mental illness (a "Disability Period"), Executive shall continue to receive the compensation and benefits provided by Section 3 of this Agreement until Executive's employment hereunder is terminated; provided, however, that the amount of compensation and benefits received by Executive during the Disability Period shall be reduced by the aggregate amounts, if any, payable to Executive under disability benefit plans and programs of the Company or under the Social Security disability insurance program.

(d) Termination By Company For Any Other Reason. In the event that Executive's employment hereunder is terminated by the Company during the Term for any reason other than as provided in Section 4(b) or 4(c) of this Agreement, then the Company shall pay to Executive the Base Salary through such date of termination and, in lieu of any further compensation and benefits for the balance of the Term, severance pay equal to the Base Salary that Executive would have otherwise received during the period beginning on such date of termination and ending on the earlier of (i) six (6) months from the effective date of such termination and (ii) the last day of the Term, which severance pay shall be paid commencing with such date of termination at the times and in the amounts such Base Salary would have been paid. Notwithstanding anything to the contrary contained herein, in the event that Executive shall breach Section 5 or 6 of this Agreement, in addition to any other remedies the Company may have in the event Executive breaches this Agreement, the Company's obligation pursuant to this Section 4(d) to continue such salary shall cease and Executive's rights thereto shall terminate and shall be forfeited.

(e) Release. Payment made and performance by the Company in accordance with this Section 4 shall operate to fully discharge and release the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives from any further obligation or liability with respect to Executive's employment and termination of employment. Other than paying Executive's Base Salary through the date of termination of Executive's employment and making any severance payment pursuant to and in accordance with this Section 4 (as applicable), the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives shall have no further obligation or liability to Executive or any other person under this Agreement. The Company shall have the right to condition the payment of any severance pursuant to this Section 4 upon the delivery by Executive to the Company of a release in form and substance satisfactory to the Company of any and all claims Executive may have against the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives arising out of or related to Executive's employment by the Company and the termination of such employment.

#### 5. Exclusive Employment; Noncompetition.

(a) No Conflict; No Other Employment. During the period of Executive's employment with the Company, Executive shall not: (i) engage in any activity which conflicts or interferes with or derogates from the performance of Executive's duties hereunder nor shall Executive engage in any other business activity, whether or not such business activity is pursued for gain or profit, except as approved in advance in writing by the President, Chief Executive Officer or the Board of Directors of the Company; provided, however, that Executive shall be entitled to manage his personal investments and otherwise attend to personal affairs, including charitable activities, in a manner that does not unreasonably interfere with his responsibilities hereunder, or (ii) accept any other employment, whether as an executive or consultant or in any other capacity, and whether or not compensated therefor, unless Executive receives the prior approval of the Board of Directors.

(b) No Competition. Executive recognizes the highly competitive nature of the Company's business and that Executive's position with the Company and access to

and use of the Company's confidential records and proprietary information renders Executive special and unique. Without limiting the generality of the provisions of Section 2(b) or 5(a) of this Agreement, Executive shall not (i) during the Term and for a period of one year after the termination of Executive's employment with the Company for any reason, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, stockholder, member, partner, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business located in the United States or (ii) during the Term and for a period of two years after the termination of Executive's employment with the Company for any reason, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, stockholder, member, partner, consultant, advisor, agent, proprietor, trustee or investor, any business using superconducting films for fiber optic applications; provided, however, that ownership of 2% or less of the stock or other securities of a corporation, the stock of which is listed on a national securities exchange or is quoted on The Nasdaq Stock Market, shall not constitute a breach of this Section 4, so long as Executive does not in fact have the power to control, or direct the management of, or is not otherwise associated with, such corporation.

For purposes hereof, the term "Competing Business" shall mean any business or venture which, directly or indirectly, engages in a business that competes with the business of the Company or any Related Entity. The term Related Entity shall include all operating subsidiaries of the Company and all other business entities in which the Company has an ownership interest, together with all affiliates thereof.

(c) No Solicitation of Employment. During the Term and for a period of two years thereafter, Executive shall not solicit or encourage any employee of the Company or any Related Entity to leave the Company or such Related Entity for any reason, nor assist any business in doing so, nor employ such an employee in a Competing Business or any other business.

(d) Company Customers. Executive shall not, during the Term and for a period of two years thereafter, except as required by the Company in the performance by Executive of his duties under this Agreement, directly or indirectly, on behalf of a Competing Business, contact, solicit or do business with any "customers" (as defined below) of the Company or any Related Entity for the purpose of selling or licensing any product, service, or technology then sold or licensed by such Related Entity or the Company or proposed to be sold or licensed by such Related Entity or the Company. For the purposes of the provisions of this Section 5(d), "customer" shall include any entity that, within two years prior to the termination of Executive's employment hereunder, purchased or licensed any product, service, or technology from such Related Entity or the Company. The term "customer" also includes any former customer or potential customer of a Related Entity or the Company which the Related Entity or the Company has solicited within two years prior to the termination of Executive's employment hereunder for the purpose of selling or licensing any product, service, or technology then sold or licensed by the Company or any Related Entity or proposed to be sold or licensed.



(e) Executive understands that the provisions of this Section 5 may limit his ability to earn a livelihood in a business that competes with the business of the Related Entities but nevertheless agrees and hereby acknowledges that the consideration provided under this Agreement is sufficient to justify the restrictions contained in such provisions. In consideration thereof and in light of Executive's education, skills and abilities, Executive agrees that he will not assert in any forum that such provisions prevent him from earning a living or otherwise are void or unenforceable or should be held void or unenforceable.

#### 6. Confidential Information.

(a) Existence of Confidential Information. The Company and each Related Entity owns and has developed and compiled, and will develop and compile, certain proprietary techniques and confidential information which have great value to its business (referred to in this Agreement, collectively, as "Confidential Information"). Confidential Information includes not only information disclosed by the Company or any Related Entity to Executive, but also information developed or learned by Executive during the course or as a result of employment with the Company, which information shall be the property of the Company or the applicable Related Entity. Confidential Information includes all information that has or could have commercial value or other utility in the businesses in which the Company or any Related Entity is engaged or contemplates engaging, and all information of which the unauthorized disclosure could be detrimental to the interests of the Company or any Related Entity, whether or not such information is specifically labeled as Confidential Information by such entity. By way of example and without limitation, Confidential Information includes any and all information developed, obtained, licensed by or to or owned by the Company or any Related Entity concerning trade secrets, techniques, know-how (including designs, plans, procedures, merchandising, marketing, distribution and warehousing know-how, processes, and research records), software, computer programs and designs, development tools, all proprietary property, and any other intellectual property created, used or sold (through a license or otherwise) by the Company or a Related Entity, electronic data information know-how and processes, innovations, discoveries, improvements, research, development, test results, reports, specifications, data, formats, marketing data and plans, business plans, strategies, forecasts, unpublished financial information, orders, agreements and other forms of documents, price and cost information, merchandising opportunities, expansion plans, budgets, projections, customer, supplier, licensee, licensor and subcontractor identities, characteristics, agreements and operating procedures, and salary, staffing and employment information.

(b) Protection of Confidential Information. Executive acknowledges and agrees that in the performance of Executive's duties hereunder the Company and the Related Entities may disclose to and entrust Executive with Confidential Information which is the exclusive property of such entities and which Executive may possess or use only in the performance of Executive's duties to the Company. Executive also acknowledges that Executive is aware that the unauthorized disclosure of Confidential Information, among other things, may be prejudicial to the Company's interests or those of a Related Entity, an invasion of privacy and an improper disclosure of trade secrets. Executive shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any corporation, partnership or other entity, individual or other third party, other than in the course of Executive's assigned duties and for the benefit of the Company, any Confidential Information, either during the Term or thereafter. In

the event Executive desires to publish the results of Executive's work for or experiences with the Company or any Related Entity through literature, interviews or speeches, Executive will submit requests for such interviews or such literature or speeches to the Chief Executive Officer of the Company at least fourteen (14) days before any anticipated dissemination of such information for a determination of whether such disclosure is in the best interests of the Company, including whether such disclosure may impair trade secret status or constitute an invasion of privacy. Executive agrees not to publish, disclose or otherwise disseminate such information without the prior written approval of the Chief Executive Officer of the Company.

(c) Intellectual Property. All inventions, innovations or improvements (including policies, procedures, products, improvements, software, ideas and discoveries, whether patent, copyright, trademark, service mark, or otherwise) conceived or made by Executive, either alone or jointly with others, in the course of his employment by the Company, and any derivatives of any such inventions, innovations, or improvements, belong to the Company. Executive shall promptly disclose to the Company in writing all such inventions, innovations or improvements and perform all actions reasonably requested by the Company to establish and confirm ownership by the Company, including, but not limited to, cooperating with and assisting the Company in obtaining patents, copyrights, trademarks, or service marks for the Company in the United States and in foreign countries. Executive agrees that any application filed by Executive within one year after the termination of his employment hereunder will be presumed to constitute an invention that was made during his employment unless he can provide evidence satisfactory to the Company to the contrary.

(d) Delivery of Records, Etc. In the event Executive's employment with the Company ceases for any reason, Executive will not remove from the Company's premises without its prior written consent any records (written or electronic), files, drawings, documents, equipment, materials and writings received from, created for or belonging to the Company or any Related Entity, including those which relate to or contain Confidential Information, or any copies thereof. Upon request or when employment with the Company terminates, Executive will immediately deliver the same to the Company.

#### 7. Assignment and Transfer.

(a) Company. This Agreement shall inure to the benefit of and be enforceable by, and may be assigned by the Company to, any purchaser of all or substantially all of the Company's business or assets, any successor to the Company or any assignee thereof (whether direct or indirect, by purchase, merger, consolidation or otherwise).

(b) Executive. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, and any purported assignment, transfer or delegation thereof shall be void; provided, however, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, to Executive's estate.

8. Miscellaneous.

(a) Other Obligations. Executive represents and warrants that neither Executive's employment with the Company nor Executive's performance of Executive's obligations hereunder will conflict with or violate or otherwise be inconsistent with any other obligations, legal or otherwise, which Executive may have. Executive covenants that he shall perform his duties hereunder in a professional manner and not in conflict or violation, or otherwise inconsistent with other obligations legal or otherwise, which Executive may have.

(b) Nondisclosure; Other Employers. Executive will not disclose to the Company, or use, or induce the Company to use, any proprietary information, trade secrets or confidential business information of others. Executive represents and warrants that Executive does not possess any property, proprietary information, trade secrets and confidential business information belonging to all prior employers.

(c) Cooperation. Following termination of employment with the Company for any reason, Executive shall cooperate with the Company, as requested by the Company, to affect a transition of Executive's responsibilities and to ensure that the Company is aware of all matters being handled by Executive.

(d) No Duty to Mitigate. Executive shall be under no duty to mitigate any losses or damage to the Company with respect to any severance or other amounts payable pursuant to Section 4 of this Agreement.

(e) Protection of Reputation. During the Term and thereafter, Executive agrees that he will take not action which is intended, or would reasonably be expected, to harm the Company or its reputation or which would reasonably be expected to lead to unwanted or unfavorable publicity to the Company.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to principles of the conflict of laws thereof.

(g) Jurisdiction; Forum. Each party hereto consents and submits to the jurisdiction of any state or federal court sitting in the State, City, and County of New York in connection with any dispute arising out of or relating to this Agreement. Each party hereto waives any objection to the laying of venue in such courts and any claim that any such action has been brought in an inconvenient forum. To the extent permitted by law, any judgment in respect of a dispute arising out of or relating to this Agreement may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of such judgment being conclusive evidence of the fact and amount of such judgment.

(h) Waiver of Jury Trial. Each of the parties hereto irrevocably waives any and all right to trial by jury with respect to any action, claim or other proceeding arising out of or relating to this Agreement.

(i) Entire Agreement. This Agreement (including all exhibits and schedules hereto) contains the entire agreement and understanding between the parties hereto in

respect of Executive's employment and supersedes, cancels and annuls any prior or contemporaneous written or oral agreements, understandings, commitments and practices between them respecting Executive's employment, including all prior employment agreements, if any, between the Company and Executive, which agreement(s) hereby are terminated and shall be of no further force or effect.

(j) Amendment. This Agreement may be amended only by a writing which makes express reference to this Agreement as the subject of such amendment and which is signed by Executive and, on behalf of the Company, by its duly authorized officer.

(k) Severability. If any term, provision, covenant or condition of this Agreement or part thereof, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void by a court of competent jurisdiction, the remainder of this Agreement and such term, provision, covenant or condition shall remain in full force and effect, and any such invalid, unenforceable or void term, provision, covenant or condition shall be deemed, without further action on the part of the parties hereto, modified, amended and limited, and the court shall have the power to modify, to the extent necessary to render the same and the remainder of this Agreement valid, enforceable and lawful. In this regard, Executive acknowledges that the provisions of Sections 5 and 6 of this Agreement are reasonable and necessary for the protection of the Company.

(l) Construction. The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed according to its fair meaning and not strictly for or against the Company or Executive. The use herein of the word "including," when following any general provision, sentence, clause, statement, term or matter, shall be deemed to mean "including, without limitation." As used herein, "Company" shall mean the Company and its subsidiaries and any purchaser of, successor to or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) of all or substantially all of the Company's business or assets which is obligated to perform this Agreement by operation of law, agreement pursuant to Section 7 of this Agreement or otherwise. As used herein, the words "day" or "days" shall mean a calendar day or days.

(m) Nonwaiver. Neither any course of dealing nor any failure or neglect of either party hereto in any instance to exercise any right, power or privilege hereunder or under law shall constitute a waiver of any other right, power or privilege or of the same right, power or privilege in any other instance. All waivers by either party hereto must be contained in a written instrument signed by the party to be charged and, in the case of the Company, by its duly authorized officer.

(n) Remedies for Breach. The parties hereto agree that Executive is obligated under this Agreement to render personal services during the Term of a special, unique, unusual, extraordinary and intellectual character, thereby giving this Agreement special value, and, in the event of a breach or threatened breach of any covenant of Executive herein, the injury or imminent injury to the value and the goodwill of the Company's business could not be reasonably or adequately compensated in damages in an action at law. Accordingly, Executive expressly acknowledges that the Company shall be entitled to specific performance, injunctive

relief or any other equitable remedy against Executive, without the posting of a bond, in the event of any breach or threatened breach of any provision of this Agreement by Executive (including, without limitation, Sections 5 and 6). Without limiting the generality of the foregoing, if Executive breaches or threatens to breach Section 5 or 6 of this Agreement, such breach or threatened breach will entitle the Company, without posting of bond, to an injunction prohibiting (i) Executive from disclosing any Confidential Information to any Competing Business; (ii) such Competing Business from receiving from Executive or using any such Confidential Information; and (iii) Executive from, indirectly or directly, owning, managing, operating, joining, controlling, participating in, investing in or otherwise being connected or associated with, in any manner, any such Competing Business. The rights and remedies of the parties hereto are cumulative and shall not be exclusive, and each such party shall be entitled to pursue all legal and equitable rights and remedies and to secure performance of the obligations and duties of the other under this Agreement, and the enforcement of one or more of such rights and remedies by a party shall in no way preclude such party from pursuing, at the same time or subsequently, any and all other rights and remedies available to it.

(o) Notices. Any notice, request, consent or approval required or permitted to be given under this Agreement or pursuant to law shall be sufficient if in writing, and if and when sent by certified or registered mail, return receipt requested, with postage prepaid, to Executive's residence (as reflected in the Company's records or as otherwise designated by Executive on thirty (30) days' prior written notice to the Company) or to the Company's principal executive office, attention: President, as the case may be. All such notices, requests, consents and approvals shall be effective upon being deposited in the United States mail. However, the time period in which a response thereto must be given shall commence to run from the date of receipt on the return receipt of the notice, request, consent or approval by the addressee thereof. Rejection or other refusal to accept, or the inability to deliver because of changed address of which no notice was given as provided herein, shall be deemed to be receipt of the notice, request, consent or approval sent.

(p) Assistance in Proceedings, Etc. Executive shall, without additional compensation, during and after expiration of the Term, upon reasonable notice, furnish such information and proper assistance to the Company as may reasonably be required by the Company in connection with any legal or quasi-legal proceeding, including any external or internal investigation, involving the Company or any of its affiliates or in which any of them is, or may become, a party.

(q) Survival. Cessation or termination of Executive's employment with the Company shall not result in termination of this Agreement. The respective obligations of Executive and rights and benefits afforded to the Company as provided in this Agreement shall survive cessation or termination of Executive's employment hereunder.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed on its behalf by an officer thereunto duly authorized and Executive has duly executed this Agreement, all as of the date and year first written above.

ATLANTIC TECHNOLOGY VENTURES, INC.

EXECUTIVE:

By: Frederic P. Zotos  
-----  
Name: Frederic P. Zotos  
Title: President

/s/ Walter Glomb  
-----  
Walter Glomb

## EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement"), made in New York, New York as of the 18th day of April, 2000, between Atlantic Technology Ventures, Inc. a Delaware corporation having its offices and principal place of business at 150 Broadway, Suite 1110, New York, New York (the "Company"), and Kelly Harris, an individual currently residing at 3084 Peachtree Ct, Woodbridge, VA 22192 ("Employee").

WHEREAS, the Company desires to employ Employee, and Employee desires to accept such employment on the terms and conditions hereinafter set forth;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and agreements hereinafter set forth, the Company and Employee agree as follows:

### 1. Term.

The term of this Agreement shall be period commencing on March \_\_, 2000 and ending on the date Employee's employment is terminated in accordance with the terms hereof (the "Term").

### 2. Employment.

(a) Employment by the Company. Employee agrees to be employed by the Company during the Term upon the terms and subject to the conditions set forth in this Agreement. Employee shall serve as an employee of the Company and shall have such duties as may be prescribed by the Company and shall serve in such other and/or additional position(s) as the Company may determine from time to time.

(b) Performance of Duties. Throughout the Term, Employee shall faithfully and diligently perform Employee's duties in conformity with the directions of the Company and serve the Company to the best of Employee's ability. Employee shall devote Employee's entire working time to the business and affairs of the Company, subject to vacations and sick leave in accordance with Company policy and as otherwise permitted herein. Until otherwise determined by the Company, Employee shall have the title of Director of Administration of the Company, and in such capacity shall be responsible for such duties as may be assigned by the Company and shall report to the President of the Company.

(c) Place of Performance. Employee shall be based initially at the Company's offices in New York, New York or such other location(s) in the greater New York area as the Company may determine. Throughout the Term, Employee shall maintain Employee's personal residence within reasonable access to Employee's place of employment.

### 3. Compensation and Benefits.

(a) Base Salary. The Company agrees to pay to Employee a base salary ("Base Salary") at the annual rate of \$40,000, payable in equal installments consistent with the Company's payroll practices.

(b) Signing Bonus. Within thirty days after the execution of this Agreement, the Company shall pay to Employee a bonus in the amount of \$10,000 (the "Signing Bonus"). Employee shall repay to the Company the Signing Bonus if Employee is terminated by the Company for Cause (as hereinafter defined) during the Term or voluntarily resigns her employment hereunder during the first twelve months of the Term.

(c) Bonus. The Company shall pay to Employee an annual bonus (the "Bonus") in an amount to be determined by Compensation Committee of the Board of Directors in its discretion but in no event less than \$10,000. In addition, Employee shall be entitled to participate in any bonus or other incentive programs as may be established by the Company.

(d) Grant of Options and Terms Thereof. The Company shall grant to Employee, an option (the "Option"), pursuant to the Company's 1995 Stock Incentive Plan, to purchase twenty thousand (20,000) shares of the Company's common stock (the "Option Shares"), subject to vesting as set forth below. The exercise price for each Option Share shall be equal to the market value of a share of the Company's common stock on the date of the grant of the Option. The Option Shares shall vest in four equal installments, the first such installment to vest on the later of the date of the grant of the Option and the first day of the Term and each subsequent installment to vest, respectively, on the first, second, and third anniversary of the grant of the Option, provided that Employee is employed by the Company on each such vesting date. All other terms (including exercisability) of the Option shall be governed by the Company's Stock Incentive Plan, as well as the applicable option agreement to be entered into pursuant to the terms of such plan.

(e) Benefits and Perquisites. Employee shall be entitled to participate in, to the extent Employee is otherwise eligible under the terms thereof, the benefit plans and programs, and receive the benefits and perquisites, generally provided to the Company's employees, including without limitation family medical insurance and life insurance (subject to applicable employee contributions). Employee shall be entitled to four weeks of vacation per year.

(f) Travel and Business Expenses. Upon submission of itemized expense statements in the manner specified by the Company, Employee shall be entitled to reimbursement for reasonable travel and other reasonable business expenses duly incurred by Employee in the performance of Employee's duties under this Agreement in accordance with the policies and procedures established by the Company from time to time for employees of the Company.

(g) Relocation Expenses. The Company shall reimburse Employee for such expenses reasonably incurred by Employee in connection with the relocation of her residence to New York, New York or its immediate vicinity upon submission of documentation



in a form reasonably acceptable to the Company, provided that Employee must consult with and receive approval from the Company, which approval shall not be unreasonably withheld, prior to incurring any such expenses. Employee shall be required to repay to the Company any relocation expenses reimbursed pursuant to this Section 3(f) if Employee's employment hereunder is terminated (i) by the Company for Cause or as a result of Employee's voluntary resignation during the first twelve months of the Term.

(h) No Other Compensation or Benefits; Payment. The compensation and benefits specified in this Section 3 and in Section 4 of this Agreement shall be in lieu of any and all other compensation and benefits. Payment of all compensation and benefits to Employee hereunder shall be made in accordance with the relevant Company policies in effect from time to time to the extent the same are consistently applied, including normal payroll practices, and shall be subject to all applicable employment and withholding taxes and other withholdings.

(i) Cessation of Employment. In the event Employee shall cease to be employed by the Company for any reason, then Employee's compensation and benefits shall cease on the date of such event, except as otherwise provided herein or in any applicable employee benefit plan or program.

#### 4. Termination of Employment.

(a) Termination. The Company may terminate Employee's employment for during the first three months of the Term for any reason or no reason, in which case the provisions of Section 4(b) of this Agreement shall apply. The Company may terminate Employee's employment for Cause (as defined below) or for any breach of this Agreement, in which case the provisions of Section 4(c) of this Agreement shall apply. The Company may also terminate Employee's employment in the event of Employee's Disability (as defined below), in which case the provisions of Section 4(d) of this Agreement shall apply. The Company may also terminate the Employee's employment for any other reason by written notice to Employee, in which case the provisions of Section 4(e) of this Agreement shall apply. If Employee's employment is terminated by reason of Employee's death, retirement or voluntary resignation, the provisions of Section 4(c) of this Agreement shall apply.

(b) Termination by the Company During Initial Period. In the event that Employee's employment hereunder is terminated by the Company during the first three months of the Term (such period to be the "Initial Period") for any reason or no reason, then the Company shall pay to Employee only the Base Salary through such date of termination and any expenses incurred by Employee through the date of such termination and properly reimbursable pursuant to Section 3(g) hereof.

(c) Termination for Cause; Termination by Reason of Death or Retirement or Voluntary Resignation. In the event that Employee's employment hereunder is terminated during the Term (x) by the Company for Cause (as defined below), (y) by reason of Employee's death or retirement or (z) by reason of Employee's voluntary resignation, then the Company shall pay to Employee only the Base Salary through such date of termination. For purposes of this Agreement, "Cause" shall mean (i) conviction of any crime (whether or not involving the Company) constituting a felony in the jurisdiction involved; (ii) engaging in any

substantiated act involving moral turpitude; (iii) engaging in any act which, in each case, subjects, or if generally known would subject, the Company to public ridicule or embarrassment; (iv) gross neglect or misconduct in the performance of Employee's duties hereunder; (v) willful failure or refusal to perform such duties as may reasonably be delegated to Employee; or (vi) material breach of any provision of this Agreement by Employee; provided, however, that with respect to clauses (iv), (v) or (vi), Employee shall have received written notice from the Company setting forth the alleged act or failure to act constituting "Cause" hereunder, and Employee shall not have cured such act or refusal to act within 10 business days of her actual receipt of notice.

(d) Disability. If, as a result of Employee's incapacity due to physical or mental illness, Employee shall have been absent from Employee's duties hereunder on a full time basis for either (i) one hundred twenty (120) days within any three hundred sixty-five (365) day period, or (ii) ninety (90) consecutive days, the Company may terminate Employee's employment hereunder for "Disability". In that event, the Company shall pay to Employee only the Base Salary through such date of termination. During any period that Employee fails to perform Employee's duties hereunder as a result of incapacity due to physical or mental illness (a "Disability Period"), Employee shall continue to receive the compensation and benefits provided by Section 3 of this Agreement until Employee's employment hereunder is terminated; provided, however, that the amount of compensation and benefits received by Employee during the Disability Period shall be reduced by the aggregate amounts, if any, payable to Employee under disability benefit plans and programs of the Company or under the Social Security disability insurance program.

(e) Termination By Company For Any Other Reason. In the event that Employee's employment hereunder is terminated by the Company during the Term for any reason other than as provided in Section 4(b), 4(c), or 4(d) of this Agreement, then the Company shall pay to Employee the Base Salary through such date of termination and, in lieu of any further compensation and benefits for the balance of the Term, severance pay equal to the Base Salary that Employee would have otherwise received during the period beginning on such date of termination and ending one (1) month from the effective date of such termination, which severance pay shall be paid commencing with such date of termination at the times and in the amounts such Base Salary would have been paid. Notwithstanding anything to the contrary contained herein, in the event that Employee shall breach Section 5 or 6 of this Agreement, in addition to any other remedies the Company may have in the event Employee breaches this Agreement, the Company's obligation pursuant to this Section 4(e) to continue such salary shall cease and Employee's rights thereto shall terminate and shall be forfeited.

(f) No Further Liability; Release. Payment made and performance by the Company in accordance with this Section 4 shall operate to fully discharge and release the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives from any further obligation or liability with respect to Employee's employment and termination of employment. Other than paying Employee's Base Salary through the date of termination of Employee's employment and making any severance payment pursuant to and in accordance with this Section 4 (as applicable), the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives shall have no further obligation or liability to Employee or any other person

under this Agreement. The Company shall have the right to condition the payment of any severance pursuant to this Section 4 upon the delivery by Employee to the Company of a release in form and substance satisfactory to the Company of any and all claims Employee may have against the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives arising out of or related to Employee's employment by the Company and the termination of such employment.

5. Exclusive Employment; Noncompetition.

(a) No Conflict; No Other Employment. During the period of Employee's employment with the Company, Employee shall not: (i) engage in any activity which conflicts or interferes with or derogates from the performance of Employee's duties hereunder nor shall Employee engage in any other business activity, whether or not such business activity is pursued for gain or profit, except as approved in advance in writing by the Chief Employee Officer or the Board of Directors of the Company; provided, however, that Employee shall be entitled to manage her personal investments and otherwise attend to personal affairs, including charitable activities, in a manner that does not unreasonably interfere with her responsibilities hereunder, or (ii) accept any other employment, whether as an Employee or consultant or in any other capacity, and whether or not compensated therefor, unless Employee receives the prior approval of the President of the Company.

(b) No Solicitation of Employment. During the Term and for a period of one year thereafter, Employee shall not solicit or encourage any employee of the Company or any Related Entity to leave the Company or such Related Entity for any reason, nor assist any business in doing so, nor employ such an employee in a Competing Business or any other business.

6. Confidential Information.

(a) Existence of Confidential Information. The Company and each Related Entity owns and has developed and compiled, and will develop and compile, certain proprietary techniques and confidential information which have great value to its business (referred to in this Agreement, collectively, as "Confidential Information"). Confidential Information includes not only information disclosed by the Company or any Related Entity to Employee, but also information developed or learned by Employee during the course or as a result of employment with the Company, which information shall be the property of the Company or the applicable Related Entity. Confidential Information includes all information that has or could have commercial value or other utility in the businesses in which the Company or any Related Entity is engaged or contemplates engaging, and all information of which the unauthorized disclosure could be detrimental to the interests of the Company or any Related Entity, whether or not such information is specifically labeled as Confidential Information by such entity. By way of example and without limitation, Confidential Information includes any and all information developed, obtained, licensed by or to or owned by the Company or any Related Entity concerning trade secrets, techniques, know-how (including designs, plans, procedures, merchandising, marketing, distribution and warehousing know-how, processes, and research records), software, computer programs and designs, development tools, all proprietary property, and any other intellectual property created, used or sold (through a license or

otherwise) by the Company or a Related Entity, electronic data information know-how and processes, innovations, discoveries, improvements, research, development, test results, reports, specifications, data, formats, marketing data and plans, business plans, strategies, forecasts, unpublished financial information, orders, agreements and other forms of documents, price and cost information, merchandising opportunities, expansion plans, budgets, projections, customer, supplier, licensee, licensor and subcontractor identities, characteristics, agreements and operating procedures, and salary, staffing and employment information.

(b) Protection of Confidential Information. Employee acknowledges and agrees that in the performance of Employee's duties hereunder the Company and the Related Entities may disclose to and entrust Employee with Confidential Information which is the exclusive property of such entities and which Employee may possess or use only in the performance of Employee's duties to the Company. Employee also acknowledges that Employee is aware that the unauthorized disclosure of Confidential Information, among other things, may be prejudicial to the Company's interests or those of a Related Entity, an invasion of privacy and an improper disclosure of trade secrets. Employee shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any corporation, partnership or other entity, individual or other third party, other than in the course of Employee's assigned duties and for the benefit of the Company, any Confidential Information, either during the Term or thereafter. In the event Employee desires to publish the results of Employee's work for or experiences with the Company or any Related Entity through literature, interviews or speeches, Employee will submit requests for such interviews or such literature or speeches to the Chief Employee Officer of the Company at least fourteen (14) days before any anticipated dissemination of such information for a determination of whether such disclosure is in the best interests of the Company, including whether such disclosure may impair trade secret status or constitute an invasion of privacy. Employee agrees not to publish, disclose or otherwise disseminate such information without the prior written approval of the Chief Employee Officer of the Company.

(c) Delivery of Records, Etc. In the event Employee's employment with the Company ceases for any reason, Employee will not remove from the Company's premises without its prior written consent any records (written or electronic), files, drawings, documents, equipment, materials and writings received from, created for or belonging to the Company or any Related Entity, including those which relate to or contain Confidential Information, or any copies thereof. Upon request or when employment with the Company terminates, Employee will immediately deliver the same to the Company.

#### 7. Assignment and Transfer.

(a) Company. This Agreement shall inure to the benefit of and be enforceable by, and may be assigned by the Company to, any purchaser of all or substantially all of the Company's business or assets, any successor to the Company or any assignee thereof (whether direct or indirect, by purchase, merger, consolidation or otherwise).

(b) Employee. Employee's rights and obligations under this Agreement shall not be transferable by Employee by assignment or otherwise, and any purported assignment, transfer or delegation thereof shall be void; provided, however, that if Employee shall die, all amounts then payable to Employee hereunder shall be paid in accordance with the

terms of this Agreement to Employee's devisee, legatee or other designee or, if there be no such designee, to Employee's estate.

#### 8. Miscellaneous.

(a) Other Obligations. Employee represents and warrants that neither Employee's employment with the Company nor Employee's performance of Employee's obligations hereunder will conflict with or violate or otherwise are inconsistent with any other obligations, legal or otherwise, which Employee may have. Employee covenants that she shall perform her duties hereunder in a professional manner and not in conflict or violation, or otherwise inconsistent with other obligations legal or otherwise, which Employee may have.

(b) Nondisclosure; Other Employers. Employee will not disclose to the Company, or use, or induce the Company to use, any proprietary information, trade secrets or confidential business information of others. Employee represents and warrants that Employee does not possess any property, proprietary information, trade secrets and confidential business information belonging to all prior employers.

(c) Cooperation. Following termination of employment with the Company for any reason, Employee shall cooperate with the Company, as requested by the Company, to affect a transition of Employee's responsibilities and to ensure that the Company is aware of all matters being handled by Employee.

(d) No Duty to Mitigate. Employee shall be under no duty to mitigate any losses or damage to the Company with respect to any severance or other amounts payable pursuant to Section 4 of this Agreement.

(e) Protection of Reputation. During the Term and thereafter, Employee agrees that she will take not action which is intended, or would reasonably be expected, to harm the Company or its reputation or which would reasonably be expected to lead to unwanted or unfavorable publicity to the Company.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to principles of the conflict of laws thereof.

(g) Jurisdiction; Forum. Each party hereto consents and submits to the jurisdiction of any state or federal court sitting in the State, City, and County of New York in connection with any dispute arising out of or relating to this Agreement. Each party hereto waives any objection to the laying of venue in such courts and any claim that any such action has been brought in an inconvenient forum. To the extent permitted by law, any judgment in respect of a dispute arising out of or relating to this Agreement may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of such judgment being conclusive evidence of the fact and amount of such judgment.

(h) Waiver of Jury Trial. Each of the parties hereto irrevocably waives any and all right to trial by jury with respect to any action, claim or other proceeding arising out of or relating to this Agreement.

(i) Entire Agreement. This Agreement (including all exhibits and schedules hereto) contains the entire agreement and understanding between the parties hereto in respect of Employee's employment and supersedes, cancels and annuls any prior or contemporaneous written or oral agreements, understandings, commitments and practices between them respecting Employee's employment, including all prior employment agreements, if any, between the Company and Employee, which agreement(s) hereby are terminated and shall be of no further force or effect.

(j) Amendment. This Agreement may be amended only by a writing which makes express reference to this Agreement as the subject of such amendment and which is signed by Employee and, on behalf of the Company, by its duly authorized officer.

(k) Severability. If any term, provision, covenant or condition of this Agreement or part thereof, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void by a court of competent jurisdiction, the remainder of this Agreement and such term, provision, covenant or condition shall remain in full force and effect, and any such invalid, unenforceable or void term, provision, covenant or condition shall be deemed, without further action on the part of the parties hereto, modified, amended and limited, and the court shall have the power to modify, to the extent necessary to render the same and the remainder of this Agreement valid, enforceable and lawful. In this regard, Employee acknowledges that the provisions of Sections 5 and 6 of this Agreement are reasonable and necessary for the protection of the Company.

(l) Construction. The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed according to its fair meaning and not strictly for or against the Company or Employee. The use herein of the word "including," when following any general provision, sentence, clause, statement, term or matter, shall be deemed to mean "including, without limitation." As used herein, "Company" shall mean the Company and its subsidiaries and any purchaser of, successor to or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) of all or substantially all of the Company's business or assets which is obligated to perform this Agreement by operation of law, agreement pursuant to Section 7 of this Agreement or otherwise. As used herein, the words "day" or "days" shall mean a calendar day or days.

(m) Nonwaiver. Neither any course of dealing nor any failure or neglect of either party hereto in any instance to exercise any right, power or privilege hereunder or under law shall constitute a waiver of any other right, power or privilege or of the same right, power or privilege in any other instance. All waivers by either party hereto must be contained in a written instrument signed by the party to be charged and, in the case of the Company, by its duly authorized officer.

(n) Remedies for Breach. The parties hereto agree that Employee is obligated under this Agreement to render personal services during the Term of a special, unique, unusual, extraordinary and intellectual character, thereby giving this Agreement special value, and, in the event of a breach or threatened breach of any covenant of Employee herein, the injury or imminent injury to the value and the goodwill of the Company's business could not be

reasonably or adequately compensated in damages in an action at law. Accordingly, Employee expressly acknowledges that the Company shall be entitled to specific performance, injunctive relief or any other equitable remedy against Employee, without the posting of a bond, in the event of any breach or threatened breach of any provision of this Agreement by Employee (including, without limitation, Sections 5 and 6). Without limiting the generality of the foregoing, if Employee breaches or threatens to breach Section 5 or 6 of this Agreement, such breach or threatened breach will entitle the Company, without posting of bond, to an injunction prohibiting (i) Employee from disclosing any Confidential Information to any Competing Business; (ii) such Competing Business from receiving from Employee or using any such Confidential Information; and (iii) Employee from, indirectly or directly, owning, managing, operating, joining, controlling, participating in, investing in or otherwise being connected or associated with, in any manner, any such Competing Business. The rights and remedies of the parties hereto are cumulative and shall not be exclusive, and each such party shall be entitled to pursue all legal and equitable rights and remedies and to secure performance of the obligations and duties of the other under this Agreement, and the enforcement of one or more of such rights and remedies by a party shall in no way preclude such party from pursuing, at the same time or subsequently, any and all other rights and remedies available to it.

(o) Notices. Any notice, request, consent or approval required or permitted to be given under this Agreement or pursuant to law shall be sufficient if in writing, and if and when sent by certified or registered mail, return receipt requested, with postage prepaid, to Employee's residence (as reflected in the Company's records or as otherwise designated by Employee on thirty (30) days' prior written notice to the Company) or to the Company's principal Employee office, attention: President, as the case may be. All such notices, requests, consents and approvals shall be effective upon being deposited in the United States mail. However, the time period in which a response thereto must be given shall commence to run from the date of receipt on the return receipt of the notice, request, consent or approval by the addressee thereof. Rejection or other refusal to accept, or the inability to deliver because of changed address of which no notice was given as provided herein, shall be deemed to be receipt of the notice, request, consent or approval sent.

(p) Assistance in Proceedings, Etc. Employee shall, without additional compensation, during and after expiration of the Term, upon reasonable notice, furnish such information and proper assistance to the Company as may reasonably be required by the Company in connection with any legal or quasi-legal proceeding, including any external or internal investigation, involving the Company or any of its affiliates or in which any of them is, or may become, a party.

(q) Survival. Cessation or termination of Employee's employment with the Company shall not result in termination of this Agreement. The respective obligations of Employee and rights and benefits afforded to the Company as provided in this Agreement shall survive cessation or termination of Employee's employment hereunder.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed on its behalf by an officer thereunto duly authorized and Employee has duly executed this Agreement, all as of the date and year first written above.

ATLANTIC TECHNOLOGY VENTURES, INC.

EMPLOYEE:

By: /s/ A. Joseph Rudick  
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Name: A. Joseph Rudick  
Title: CEO

/s/ Kelly Harris  
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Kelly Harris