

CORPORATE OFFICE PROPERTIES TRUST
Form 8-K
July 14, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported) **July 14, 2005 (July 8, 2005)**

CORPORATE OFFICE PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation)

1-14023
(Commission
File Number)

23-2947217
(IRS Employer
Identification Number)

**8815 Centre Park Drive, Suite 400
Columbia, Maryland 21045**

(Address of principal executive offices)

(410) 730-9092

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(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 **Entry into a Material Definitive Agreement.**

On July 8, 2005, Corporate Office Properties Trust (the Registrant), the General Partner of Corporate Office Properties, L.P. (the Operating Partnership), entered into the Nineteenth Amendment to Second Amended and Restated Limited Partnership Agreement (as so amended, the Partnership Agreement) of Corporate Office Properties, L.P. The Amendment was entered into in connection with the issuance by the Operating Partnership of an aggregate of 89,879 common units in the Operating Partnership valued at \$2.4 million to two unrelated entities on July 8, 2005 in connection with the acquisition of properties by a wholly owned subsidiary of the Registrant. Other than to reflect the admission of such entities into the Operating Partnership, the Amendment contains no substantive terms.

Item 9.01 **Financial Statements and Exhibits**

(a) Financial Statements of Businesses Acquired

None

(b) Pro Forma Financial Information

None

(c) Exhibits

Exhibit Number	Exhibit Title
10.1	Nineteenth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated July 8, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 14, 2005

CORPORATE OFFICE PROPERTIES TRUST

By: /s/ Randall M. Griffin
Name: Randall M. Griffin
Title: President and Chief Executive Officer

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EXHIBIT INDEX

Exhibit Number	Exhibit Title
10.1	Nineteenth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated July 8, 2005.

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1,126

1,397

1,457

1,851

2,022

9,084

11,331

10,647

11,380

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9,260

12,146

10,690

11,197

10,784

14,380

13,051

Cost of revenue

7,432

8,410

8,335

7,913

7,627

8,319

8,595

9,026

9,498

10,145

10,424

Gross margin

1,652

2,921

2,312

3,467

1,633

3,827

2,095

2,171

1,286

4,235

2,627

Operating expenses:

Research and development

767

960

1,025

895

807

797

983

1,318

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1,268

1,542

1,551

Sales and marketing

3,099

3,105

3,100

2,728

3,783

3,529

3,733

5,132

4,256

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4,755

4,761

General and administrative

1,832

1,976

1,583

1,838

1,697

2,495

1,945

2,567

2,157

2,976

3,013

Legal settlements

4,223

14,250

5,698

6,041

5,708

5,461

6,287

11,044

20,911

9,017

7,681

9,273

9,325

Loss from operations

(4,046

)

(3,120

)

(3,396

)

(1,994

)

(4,654

)

(7,217

)

(18,816

)

(6,846

)

(6,395

)

(5,038

)

(6,698

)

Interest income (expense), net

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(1,678

)

15

(910

)

(855

)

(1,127

)

(1,686

)

(1,416

)

(1,380

)

(1,299

)

341

281

Net loss

\$

(5,724

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)

\$

(3,105

)

\$

(4,306

)

\$

(2,849

)

\$

(5,781

)

\$

(8,903

)

\$

(20,232

)

\$

(8,226

)

\$

(7,694

)

\$

(4,697

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)

\$

(6,417

)

Redemption and accretion of redeemable convertible preferred stock

(520

)

(536

)

(536

)

(536

)

(536

)

(553

)

(554

)

(394

)

(108

)

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Net loss attributable to common stockholders

\$

(6,244

)

\$

(3,641

)

\$

(4,842

)

\$

(3,385

)

\$

(6,317

)

\$

(9,456

)

\$

(20,786

)

\$

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(8,620

)

\$

(7,802

)

\$

(4,697

)

\$

(6,417

)

Net loss attributable to common stockholders per share basic

\$

(2.11

)

\$

(1.23

)

\$

(1.63

)

\$

(1.01

)

\$

(1.89

)

\$

(2.80

)

\$

(6.05

)

\$

(2.31

)

\$

(0.49

)

\$

(0.23

)

\$

(0.31

)

Net loss attributable to common stockholders per share diluted

\$

(2.11

)

\$

(1.23

)

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\$

(1.63

)

\$

(1.01

)

\$

(1.89

)

\$

(2.80

)

\$

(6.05

)

\$

(2.31

)

\$

(0.49

)

\$

(0.23

)

\$

(0.31

)

Seasonality

Due to the seasonal nature of broadcast advertising revenue and the percentage of Traffic.com's total revenue historically represented by these sources, Traffic.com has typically experienced lower revenue during the first quarter, following the holiday season, and the third quarter, during the summer months.

Liquidity and Capital Resources

Comparison of the Periods Ended September 30, 2005 and September 30, 2006

Since inception, Traffic.com has principally financed its operations through private sales of its preferred stock, internally generated funds, a secured credit facility, a revolving line of credit, and, most recently, an initial public offering of common stock. At September 30, 2006, Traffic.com had \$22.0 million of cash and cash equivalents and short-term investments compared to \$13.1 million at

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December 31, 2005. Traffic.com has raised an aggregate of \$101.9 million through its preferred stock financings. In January and February 2006, Traffic.com has raised a total of approximately \$74.5 million from its initial public offering, net of fees and expenses. Traffic.com generally invests its cash in highly liquid investments with a maturity of six months or less at the date of purchase. To date, inflation has not had a material effect on Traffic.com's business.

Cash flows used in operating activities were \$5.0 million for the nine months ended September 30, 2005 and \$20.1 million for the nine months ended September 30, 2006. Cash flows used in operating activities for the nine months ended September 30, 2005 were primarily due to a net loss of \$34.9 million which was offset by adjustments for depreciation and amortization, and non-cash legal expenses, and changes in accounts payable and accrued expenses, accrued legal settlements, and deferred revenue. Cash flows used in operating activities for the nine months ended September 30, 2006 were primarily due to a net loss of \$18.8 million which was offset by adjustments for depreciation and amortization, and stock based compensation expense, and the payment of \$7.1 million in connection with the settlement of litigation, and changes in accounts and government services receivables, and accounts payable and accrued expenses.

Cash flows used in investing activities were \$6.8 million for the nine months ended September 30, 2005 and \$12.2 million for the nine months ended September 30, 2006. Cash flows used in investing activities for the nine months ended September 30, 2005 were due primarily to the purchase of fixed assets. Cash flows used in investing activities for the nine months ended September 30, 2006 were primarily due to the net purchase of short term investments following the completion of Traffic.com's initial public offering and the purchase of fixed assets.

Cash flows provided by financing activities were \$24.3 million for the nine months ended September 30, 2005 and \$32.8 million for the nine months ended September 30, 2006. Cash flows provided by financing activities for the nine months ended September 30, 2005 were primarily due to \$15.1 million in proceeds from the sale of Series F convertible preferred stock, and \$9.7 million in net proceeds under the senior secured credit facility. Cash flows provided by financing activities for the nine months ended September 30, 2006 were primarily due to \$74.5 million in proceeds, after deducting underwriters' fees and expenses, from Traffic.com's initial public offering, the repayment of \$37.7 million due under its senior secured credit facility, and the repayment of \$4.1 million under its revolving credit facility.

Comparison of the Years Ended December 31, 2003, December 31, 2004 and December 31, 2005

Cash flows used in operating activities were \$24.3 million in 2003. Cash flows provided by operating activities were \$5.4 million in 2004. Cash flows used in operating activities in 2005 were \$10.3 million. Cash flows used in operating activities in 2003 were primarily due to a net loss of \$21.1 million and \$10.0 million for the repayment of our license agreement funded in 2002, partially offset by adjustments for depreciation and amortization, accounts payable and accrued expenses, and deferred revenue. Cash flows provided by operating activities in 2004 were primarily due to the prepayment of future revenue under the NAVTEQ agreement of \$9.0 million, of which \$0.3 million was recognized as revenue, an increase in deferred revenue under our subcontract with the U.S. DOT, and adjustments for depreciation and amortization, which was partially offset by a net loss of \$16.0 million. Cash flows used in operating activities in 2005 were primarily due to a net loss of \$43.1 million, which included non-cash legal settlement costs of \$11.3 million, and an increase in accounts receivable and U.S. DOT subcontract receivable, which were partially offset by the receipt of \$0.9 million, representing the balance of the advance payment due under the NAVTEQ agreement; adjustments for accounts payable and accrued expenses, accrued legal settlements, and deferred revenue from the U.S. DOT subcontract.

Cash flows provided by investing activities were \$6.1 million in 2003. Cash flows used in investing activities were \$6.3 million in 2004 and \$9.9 million 2005, respectively. Cash flows provided

by investing activities in 2003 were primarily due to the net sale of marketable securities of \$10.3 million, partially offset by the purchase of fixed assets. Cash flows used in investing activities in 2004 were due to the purchase of fixed assets. Cash flows used in investing activities in 2005 were due to the purchase of fixed assets offset by a decrease in restricted cash. Restricted cash represents cash and cash equivalents restricted for standby letters of credit supporting long-term facility leases and escrow arrangements.

Cash flows provided by financing activities were \$21.5 million in 2003. Cash flows used in financing activities were \$3.2 million in 2004. Cash flows provided by financing activities were \$28.5 million in 2005. Cash flows provided by financing activities in 2003 were primarily due to the sale of Series E convertible preferred stock, which resulted in proceeds of \$27.5 million, and borrowing under the revolving line of credit of \$4.0 million, partially offset by the repurchase of certain shares of Series D convertible preferred stock for \$9.4 million. Cash flows used in financing activities in 2004 were primarily due to the repayment of \$3.2 million under the revolving credit facility. Cash flows provided by financing activities in 2005 were primarily due to the closing of the sale of Series F convertible preferred stock which resulted in proceeds of \$15.1 million, and additional borrowing under the senior secured credit facility of \$9.7 million, after related fees, and \$3.3 million in additional borrowings under the revolving credit facility.

Recently, Traffic.com has focused on new revenue opportunities, including the enhancement of its website and the introduction of its in-vehicle and consumer mobile services, and has devoted increasing resources to developing and marketing these new services. Traffic.com's ability to generate revenue from these services will have a material impact on its future cash needs. Traffic.com expects to devote significant capital resources to continued product development, brand marketing, expansion of operational systems and other general corporate activities.

Based on Traffic.com's current operations and planned expansion, it expects that its available funds are sufficient to meet its expected needs for working capital and capital expenditures through the end of 2007. Thereafter, if Traffic.com does not have sufficient cash available to finance its operations, it may be required to obtain additional public or private debt or equity financing. Traffic.com cannot be certain that additional financing will be available to it on favorable terms, if at all. If Traffic.com is unable to raise sufficient funds, it may need to reduce its operations, delay its geographic expansion, and reduce its product development and marketing activities.

Indebtedness

In January 2006, Traffic.com repaid the outstanding principal and interest outstanding under its senior secured credit facility using a portion of the proceeds raised in its initial public offering.

Traffic.com's former revolving credit facility expired upon its own terms in March 2006.

In August 2006, Traffic.com and a bank established a new revolving credit facility. The facility provides for maximum borrowings of \$12.0 million and terminates in August 2008. Borrowings bear interest at the bank's prime loan rate, plus 0.50%, which was 8.75% at September 30, 2006, and Traffic.com is obligated to pay an unused facility fee equal to 0.25% of unused available funds, paid quarterly on an annualized basis, per annum.

Traffic.com's borrowings are subject to an 80% advance rate against a defined borrowing base. The facility contains a minimum EBITDA (as defined in the agreement) and liquidity covenants, as well as other affirmative and negative covenants customary for a facility of this type.

As of September 30, 2006, Traffic.com was in compliance with all covenants and there were no outstanding borrowings under this facility.

Inflation

Traffic.com does not believe that inflation had a material impact on its earnings from operations.

Off-Balance Sheet Arrangements

At December 31, 2005 and September 30, 2006, Traffic.com did not have any relationships with unconsolidated entities or financial partnerships which were established for the purposes of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Recent Accounting Pronouncements

For a discussion of SFAS 123 (R) please refer to Note 1 in the Notes to Traffic.com's unaudited condensed consolidated financial statements included elsewhere herein.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48), an interpretation of FASB Statement No. 109 Accounting for Income Taxes. The interpretation clarifies the accounting for uncertainty in income taxes recognized in financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This statement becomes effective for the company beginning in the first quarter of 2007. The adoption of FIN 48 is not expected to have a material effect on Traffic.com's financial statements.

Quantitative and Qualitative Disclosures About Market Risk

Traffic.com does not use derivative financial instruments for speculation or trading purposes. Traffic.com's current policy is to maintain an investment portfolio consisting mainly of U.S. Government obligations or other securities rated AAA or comparably, with a maximum maturity of 12 months and a weighted average maturity for the portfolio of 6 months. Traffic.com's cash is deposited in and invested through highly rated financial institutions in North America. Traffic.com's marketable securities are subject to interest rate risk and will fall in value if market interest rates increase.

As of December 31, 2005, Traffic.com had exposure to interest rate risk related to its short-term and long-term debt. All of such debt was repaid subsequent to December 31, 2005. Traffic.com does not have any short or long-term debt outstanding. In general, as of December 31, 2005, the interest rate on Traffic.com's senior secured credit facility was fixed (with a required internal rate of return to the lender on repayment of 15%) and the rate on our revolving credit facility was variable. See Note 6 to the Consolidated Financial Statements included elsewhere in this proxy statement/prospectus for a discussion of the components of Traffic.com's long-term debt as of December 31, 2005. Changes in the fair value of our fixed rate debt have no impact on our cash flows or consolidated financial statements. Traffic.com currently does not hedge interest rate exposure.

Contractual Obligations

Contractual obligations at December 31, 2005 are as follows:

	Total	Less than 1 year	1 3 years	3 5 years	More than 5 years
Long-term debt obligations (1)	\$ 37,659	\$	\$ 37,659	\$	\$
Operating lease obligations (2)	8,294	1,916	3,525	2,809	44
Purchase obligations (3)	13,981	8,628	5,297	56	
	\$ 59,934	\$ 10,544	\$ 46,481	\$ 2,865	\$ 44

- (1) Under the terms of our then-existing senior secured credit facility, the entire \$37.7 million in outstanding principal and interest under the facility was paid in January 2006 upon the closing of our initial public offering.
- (2) Operating lease obligations represent rent expense for office space under non-cancelable operating lease agreements. The leases generally provide for scheduled rent increases, which are reflected in the table above.
- (3) Payments to radio and television station customers consist of minimum contractual commitments with radio and television stations in exchange for advertising inventory.

Critical Accounting Policies and Estimates

The discussion of Traffic.com's financial condition and results of operations is based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. During the preparation of these financial statements, Traffic.com is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, Traffic.com evaluates its estimates and assumptions, including those related to stock based compensation, bad debts, long-lived assets and income taxes. Traffic.com bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances. The results of Traffic.com's analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to Traffic.com's consolidated financial statements. Traffic.com's critical accounting policies have been discussed with the audit committee of its board of directors. Traffic.com believes that the following critical accounting policies affect the more significant judgments and estimates used in the preparation of its financial statements.

Stock-Based Compensation

On January 1, 2006, Traffic.com adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123(R)). SFAS 123(R) requires all share-based payments to employees, including grants of stock options, to be recognized in the financial statements based on their fair value. Under SFAS 123(R), pro forma disclosure is no longer an alternative to financial statement recognition for stock option awards made after Traffic.com's adoption of SFAS 123(R).

Prior to August 30, 2005, the date that Traffic.com filed a Form S-1 with the Securities and Exchange Commission, Traffic.com used the minimum value method to calculate the pro forma disclosure required by SFAS 123. When Traffic.com adopted SFAS 123(R) on January 1, 2006, Traffic.com continued to account for the portion of awards outstanding prior to August 30, 2005 using the provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and its related interpretative guidance. Traffic.com did not make any stock option grants in the period from August 30, 2005 through December 31, 2005.

Traffic.com adopted SFAS 123(R) using the modified prospective method beginning January 1, 2006. For stock-based awards granted after January 1, 2006, Traffic.com has recognized compensation expense during the nine months ended September 30, 2006 based on the estimated grant date fair value using the Black-Scholes valuation model. For these awards, Traffic.com recognizes compensation expense using a straight-line amortization method. As SFAS 123(R) requires that stock-based compensation expense be based on awards that are ultimately expected to vest; stock-based compensation is reduced for estimated forfeitures. When estimating

forfeitures, Traffic.com considers voluntary termination behaviors as well as trends of actual option forfeitures.

Due to a limited trading history in a public market, Traffic.com's computation of stock-price volatility is based on the volatility rates of comparable publicly-held companies over a period equal to the estimated useful life of the options granted by Traffic.com. These rates may or may not reflect Traffic.com's stock-price volatility after it has been a publicly-held company for a meaningful period of time. Traffic.com's computation of expected life was determined using the simplified method whereby the vesting period plus the original contractual term is divided by two. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of the grant. If Traffic.com had made different assumptions about the stock-price volatility rates, the expected term, forfeitures or other key assumptions, the related compensation expense and net income and net income per share amounts could have been significantly different.

Long-Lived Assets

Traffic.com records its property and equipment at cost. Traffic.com reviews the carrying value of its property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Traffic.com evaluates these assets by examining estimated future cash flows to determine if their current recorded value is impaired. Traffic.com evaluates these cash flows by using weighted probability techniques as well as comparisons of past performance against projections. Assets may also be evaluated by identifying independent market values. If Traffic.com determines that an asset's carrying value is impaired, it will record a write-down of the carrying value of the identified asset and charge the impairment as an operating expense in the period in which the determination is made. Although Traffic.com believes that the carrying values of its long-lived assets are appropriately stated, changes in strategy or market conditions or significant technological developments could significantly impact these judgments and require adjustments to recorded asset balances.

In connection with Traffic.com's U.S. DOT contract and related state contracts related to its sensor networks throughout various cities in the United States, it may be required under certain circumstances to remove the sensor network assets residing on governmental property. In accordance with FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, Traffic.com recognizes the fair value of a liability for an asset retirement obligation (ARO) for each city in the period in which the related asset is placed in service. Traffic.com capitalizes that cost as part of the carrying amount of the sensor network, which is depreciated on a straight-line basis over the useful life of the corresponding asset of 15 years. The ARO is recorded at fair value, and accretion expense will be recognized over time as the discounted liability is accreted to its expected settlement value. The fair value of the ARO is measured using expected future cash outflows discounted at Traffic.com's credit-adjusted risk-free interest rate. Changes in the estimated fair value of the ARO are recorded in the period in which they are identified. At September 30, 2006, Traffic.com had an asset retirement obligation, including accretion, classified in long-term liabilities of \$0.9 million and an increase to existing capitalized assets of \$0.8 million.

Traffic.com capitalizes software development and acquisition costs in accordance with Statement of Position, or SOP, No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. The costs of internally developed software are expensed unless incurred during the application development stage. Software development costs capitalized during the application development stage are included in property and equipment and depreciated on a straight-line basis over three years, which is the estimated useful life.

Income Taxes

Traffic.com accounts for income taxes under the liability method, which requires the establishment of a deferred tax asset or liability to reflect the net tax effects of temporary differences between tax carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax expense or benefit is recognized as a result of the change in the deferred asset or liability during the year. As of December 31, 2005, Traffic.com had a valuation allowance of \$49.0 million to reduce Traffic.com's deferred tax assets. The valuation allowance primarily relates to deferred tax assets arising from net operating loss carry-forwards which, if not used, will expire between 2018 and 2024. Should Traffic.com generate taxable income in the future, it may be able to realize all or part of the operating loss carry-forwards against which it has applied the valuation allowance. In that event, Traffic.com's current income tax expense would be reduced or its income tax benefits would be increased, resulting in an increase in net income or a reduction in net loss. Traffic.com exercises significant judgment in assessing its ability to utilize any future tax benefit from its deferred tax assets.

Traffic.com's Revenue Recognition Pursuant to the U.S. DOT Contract

During installation of Traffic.com's sensor network and upon completion of specified milestones, its prime contractor pays it 95%, or \$1.9 million, of \$2.0 million paid to the contractor in each metropolitan area in exchange for providing data to the various federal and state agencies for non-commercial purposes such as research, planning, and congestion management. The majority of all funds under this subcontract are received on or before complete installation of the system and system acceptance. All amounts invoiced by Traffic.com are initially recorded as deferred revenue. Traffic.com commences recognition of revenue when it obtains formal system acceptance. Deferred revenue is amortized into revenue over the estimated service period of the contract of 15 years. The estimated service period was determined based on Traffic.com's expectation that it will continue to provide data to the government agencies for 15 years. This estimate was predicated in part on the fact that the local government agencies have been collecting traffic data from their own sensors for a similarly long period of time. Further, the estimate is consistent with the estimated economic useful life of the related assets. However, given the pace of technological change, it is possible that other technology approaches may become as important or useful as sensor networks. Revenue recognized from this subcontract was \$0.3 million, \$0.4 million, and \$0.9 million for 2003, 2004, and 2005, respectively, and \$1.0 million for the nine-month period ended September 30, 2006.

NAVTEQ UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statement for the year ended December 31, 2005 is based on the audited consolidated financial statements of NAVTEQ included in NAVTEQ's Annual Report on Form 10-K for the year ended December 31, 2005 and the audited consolidated financial statements of Traffic.com for the year ended December 31, 2005 included elsewhere herein. The unaudited pro forma condensed combined financial statements as of and for the nine months ended October 1, 2006 are based on the unaudited consolidated financial statements of NAVTEQ, included in NAVTEQ's Quarterly Report on Form 10-Q for the quarter ended October 1, 2006 and the unaudited financial statements of Traffic.com for the nine months ended September 30, 2006, included elsewhere herein. The unaudited pro forma condensed combined balance sheet gives effect to the merger as if it had been consummated on October 1, 2006. The unaudited pro forma condensed combined statements of income give effect to the merger as if it had been consummated on January 1, 2005. The pro forma condensed combined financial statements are based on the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements.

These unaudited pro forma condensed combined financial statements should be read in conjunction with the historical consolidated financial statements and accompanying notes of NAVTEQ and Traffic.com, which have been included elsewhere in this proxy statement/prospectus, respectively. The unaudited pro forma condensed combined financial statements are not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed at the dates indicated.

The unaudited pro forma condensed combined financial statements were prepared using the purchase method of accounting with NAVTEQ treated as the acquiring entity. Accordingly, consideration paid by NAVTEQ to complete the merger with Traffic.com will be allocated to Traffic.com's assets and liabilities based on their estimated fair values as of the date of the completion of the merger. These unaudited pro forma condensed combined financial statements have been prepared based on preliminary estimates of fair values. They do not include liabilities resulting from integration planning which are not presently estimable as discussed below. Amounts preliminarily allocated to intangible assets with indefinite lives may significantly decrease or increase and amounts allocated to intangible assets with finite lives may increase or decrease significantly, which could result in a material increase or decrease in amortization of intangible assets. In addition, NAVTEQ continues to analyze goodwill and intangible assets related to the merger, and any other intangible assets subsequently identified would impact the purchase price allocation. Therefore, actual amounts recorded as of the completion of the merger may differ materially from the information presented in these unaudited pro forma condensed combined financial statements. In addition to the receipt of the final valuation, the impact of ongoing integration activities, the timing of completion of the merger and other changes in Traffic.com's net tangible and intangible assets which occur prior to the completion of the merger could cause material differences in the information presented. Accordingly, the pro forma purchase price adjustments are preliminary, subject to future adjustments and have been made solely for the purpose of providing the unaudited pro forma condensed combined financial information presented below.

NAVTEQ expects to incur costs associated with integrating the two businesses. Management's development of these integration plans is underway. The impact of these plans, assuming they were in place at the date of completion of the merger, could increase or decrease the amount of liabilities recognized in accordance with FASB Emerging Issues Task Force Issue No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination," and thus could decrease or increase the amount of goodwill and intangible assets recognized. The unaudited pro forma condensed combined financial statements do not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from any integration activities.

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These unaudited pro forma condensed combined financial statements reflect a preliminary allocation of the purchase price as if the merger had been completed on October 1, 2006, with respect to the balance sheet, and on January 1, 2005, with respect to the statements of income. The preliminary allocations are subject to change based on finalization of the fair values of the tangible and intangible assets acquired and liabilities assumed as described above. The estimated purchase price has been calculated as follows (in thousands):

Cash	\$ 49,000
Estimated fair value of shares issued	136,104
Estimated merger-related transaction costs	3,450
Total preliminary purchase price	\$ 188,554

The fair value of shares issued reflects 4.3 million shares of NAVTEQ Common Stock being issued to Traffic.com stockholders, valued for pro forma purposes at \$31.65 per share. The \$31.65 per share value is based on the average of the price of the NAVTEQ's common stock for a period beginning two days prior to the announcement of the merger and ending two days after the announcement of the merger. Merger-related transaction costs include an estimate for investment advisor, legal, accounting, valuation, printing and other external costs directly related to the merger.

Under purchase accounting, the total preliminary purchase price is allocated to Traffic.com's net tangible and identifiable intangible assets or liabilities based on their estimated fair values. The excess of the purchase price over the net tangible and identifiable intangible assets or liabilities is recorded as goodwill. The estimated fair value of net liabilities acquired was established based upon the September 30, 2006 consolidated balance sheet of Traffic.com. For pro forma purposes, NAVTEQ has estimated the fair value of the identifiable intangible assets at \$35.5 million. The estimates and assumptions are subject to change based upon a final valuation to be performed by a third party and further developments in NAVTEQ's integration planning efforts. Based on a preliminary evaluation, the total preliminary purchase price was allocated as follows (in thousands):

Goodwill	\$ 146,753
Identifiable intangible assets	35,500
Fair value of net assets acquired	6,301
Total preliminary purchase price	\$ 188,554

**NAVTEQ Unaudited Pro Forma Condensed Combined Statement of Income
for the Year Ended December 31, 2005**

(in thousands, except per share data)

	Historical NAVTEQ	Historical Traffic.com	Pro Forma Adjustments	Pro Forma Combined
Net revenue	\$ 496,512	43,293	(400) (a) (10) (b)	539,395
Operating costs and expenses:				
Database creation and distribution costs	222,933		(407) (d)	222,526
Cost of Traffic.com s services		37,472	(11) (c) 3,167 (e) (244) (q)	40,384
Selling, general, and administrative expenses	139,323	24,881	2,825 (e)	167,029
Legal settlements		18,473		18,473
Total operating costs and expenses	362,256	80,826	5,330	448,412
Operating income (loss)	134,256	(37,533)	(5,740)	90,983
Other income (expense):				
Interest income (expense), net	4,237	(5,609)	(1,791) (f)	(3,163)
Foreign currency gain	502			502
Other expense	(4)			(4)
Income (loss) before income taxes	138,991	(43,142)	(7,531)	88,318
Income tax benefit	(31,839)		(19,256) (g)	(51,095)
Net income (loss)	170,830	(43,142)	11,725	139,413
Accretion of redeemable convertible preferred stock		(2,037)	2,037 (h)	
Net income (loss) attributable to common stockholders	\$ 170,830	(45,179)	13,762	139,413
Earnings per share of common stock:				
Basic	\$ 1.90			1.48
Diluted	\$ 1.81			1.42
Weighted average shares of common stock outstanding:				
Basic	90,115		4,300 (i)	94,415
Diluted	94,198		4,300 (i)	98,498

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

**NAVTEQ Unaudited Pro Forma Condensed Combined Statement of Income
for the Nine Months Ended October 1, 2006**

(in thousands, except per share data)

	Historical NAVTEQ	Historical Traffic.com(1)	Pro Forma Adjustments	Pro Forma Combined
Net revenue	\$ 400,928	38,215	(443)(a)	438,693
			(7)(b)	
Operating costs and expenses:				
Database creation and distribution costs	197,934		(293)(d)	197,641
Cost of Traffic.com s services		34,428	(11)(c)	36,271
			2,375 (e)	
			(521)(q)	
Selling, general, and administrative expenses	112,101	21,918	2,119 (e)	136,138
Total operating costs and expenses	310,035	56,346	3,669	370,050
Operating income (loss)	90,893	(18,131)	(4,119)	68,643
Other income (expense):				
Interest income (expense), net	7,807	(677)	(1,903)(f)	5,227
Foreign currency loss	(501)			(501)
Other expense	(13)			(13)
Income (loss) before income taxes	98,186	(18,808)	(6,022)	73,356
Income tax expense (benefit)	31,665		(9,435)(g)	22,230
Net income (loss) before cumulative effect	66,521	(18,808)	3,413	51,126
Cumulative effect of change in accounting principle	506			506
Net income (loss)	67,027	(18,808)	3,413	51,632
Accretion of redeemable convertible preferred stock		(108)	108 (h)	
Net income (loss) attributable to common stockholders	\$ 67,027	(18,916)	3,521	51,632
Earnings per share of common stock before cumulative effect of change in accounting principle:				
Basic	\$ 0.72			0.53
Diluted	\$ 0.70			0.51
Cumulative effect of change in accounting principle per share of common stock:				
Basic	\$ 0.01			0.01
Diluted	\$ 0.01			0.01
Earnings per share of common stock:				
Basic	\$ 0.72			0.53
Diluted	\$ 0.70			0.52
Weighted average shares of common stock outstanding:				
Basic	92,884		4,300 (i)	97,184
Diluted	95,668		4,300 (i)	99,968

(1) Traffic.com s historical statement of income is for the nine months ended September 30, 2006.

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

**NAVTEQ Unaudited Pro Forma Condensed Combined Balance Sheet
as of October 1, 2006**

(in thousands)

	Historical NAVTEQ	Historical Traffic.com(1)	Pro Forma Adjustments	Pro Forma Combined
Assets				
Current assets:				
Cash and cash equivalents	\$ 66,403	13,621	7,242 (j)	34,816
			(52,450)(m)	
Short-term marketable securities	151,419	8,402	(1,898)(k)	157,923
Accounts receivable, net	108,634	14,604		123,238
Deferred income taxes, net	17,327		(39)(k)	17,288
Prepaid expenses and other current assets	18,848	1,666	(400)(l)	20,114
Total current assets	362,631	38,293	(47,545)	353,379
Property and equipment, net	22,898	25,494	(2,123)(q)	46,269
Capitalized software development costs, net	21,115			21,115
Long-term deferred income taxes, net	189,327		(13,490)(p)	175,837
Long-term marketable securities	60,881			60,881
Acquired intangible assets, net	17,265		35,500 (o)	52,765
Goodwill	15,148		52,450 (m)	161,901
			114,190 (n)	
			(35,500)(o)	
			13,490 (p)	
			2,123 (q)	
Deposits and other assets	11,796	795	(8,470)(l)	4,121
Total assets	\$ 701,061	64,582	110,625	876,268
Liabilities and Stockholders Equity				
Current liabilities:				
Accounts payable	\$ 12,519	1,926		14,445
Accrued payroll and related liabilities	26,587	1,410		27,997
Other accrued expenses	32,417	4,770		37,187
Deferred revenue	35,625	4,354	(2,175)(l)	37,804
Total current liabilities	107,148	12,460	(2,175)	117,433
Long-term deferred revenue	2,638	34,237	(6,874)(l)	30,001
Other long-term liabilities	2,145	1,392		3,537
Total liabilities	111,931	48,089	(9,049)	150,971
Stockholders equity:				
Common stock	93	207	(203)(n)	97
Additional paid-in capital	840,479	192,533	7,242 (j)	976,579
			(2,000)(k)	
			(61,675)(n)	
Accumulated other comprehensive loss:				
Cumulative translation adjustment	(21,372)			(21,372)
Unrealized holding loss	(213)		63 (k)	(150)
Accumulated other comprehensive loss	(21,585)		63	(21,522)
Accumulated deficit	(229,857)	(176,247)	179 (l)	(229,857)
			176,068 (n)	
Total stockholders equity	589,130	16,493	119,674	725,297
Total liabilities and stockholders equity	\$ 701,061	64,582	110,625	876,268

(1) Traffic.com's historical balance sheet is as of September 30, 2006.

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

**NOTES TO NAVTEQ UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS**

1. Basis of Pro Forma Presentation

On November 5, 2006, NAVTEQ, Traffic.com, NAVTEQ Holdings B.V., a corporation organized under the laws of the Netherlands, and NAVTEQ Holdings Delaware, Inc., a Delaware corporation, entered into an Agreement and Plan of Merger, pursuant to which Traffic.com will be merged with and into NAVTEQ Holdings Delaware, Inc. Upon consummation of the merger, the separate existence of Traffic.com will cease, and NAVTEQ Delaware Holdings, Inc. will be the surviving corporation.

Pursuant to the merger agreement, at the effective time of the merger, each share outstanding of Traffic.com Common Stock will be converted into the right to receive, at the election of the holder thereof (subject to certain conditions, including those pertaining to pro-ration): (i) \$8.00 in cash, without interest or (ii) 0.235 shares of the NAVTEQ's Common Stock, par value \$0.001 per share. The election of cash or stock will be subject to a limit on total cash consideration of \$49.0 million (minus the cash value of dissenting shares) and a limit on total stock consideration equal to 4.3 million shares of NAVTEQ's Common Stock (less the shares of NAVTEQ's Common Stock issued to holders of warrants to purchase Traffic.com stock that are exchanged for the NAVTEQ's Common Stock).

NAVTEQ is considered the acquiring entity and is treated as the continuing reporting entity.

The unaudited pro forma condensed combined financial statements assume the issuance of 4.3 million shares of NAVTEQ's Common Stock at \$31.65 per share, the payment in cash of \$49.0 million by NAVTEQ and \$3.45 million for estimated merger-related transaction costs. The per-share value of the common stock issued was determined using an average of the price of NAVTEQ's Common Stock for a period beginning two days prior to the announcement of the merger and ending two days after the announcement of the merger.

The following information should be read in conjunction with the pro forma condensed combined financial statements:

- Accompanying notes to the unaudited pro forma condensed combined financial statements.
- Separate historical consolidated financial statements of NAVTEQ for the years ended December 31, 2005, 2004 and 2003 and the nine-month periods ended October 1, 2006 and September 25, 2005, which are incorporated by reference elsewhere into this proxy statement/prospectus.
- Separate historical consolidated financial statements of Traffic.com for the years ended December 31, 2005, 2004 and 2003 and the nine-month periods ended September 30, 2006 and 2005, which are included elsewhere into this proxy statement/prospectus.

The historical consolidated financial information has been adjusted to give effect to pro forma events that are directly attributable to the merger and factually supportable. The unaudited pro forma condensed combined financial statements are presented for informational purposes only. The pro forma information is not necessarily indicative of what the financial position or results of operations actually would have been had the merger been completed on the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company. The unaudited pro forma condensed combined financial statements were prepared using the purchase method of accounting with NAVTEQ treated as the acquirer in accordance with U.S. generally accepted accounting principles.

2. Pro Forma Adjustments

The pro forma combined provision for income taxes does not necessarily reflect the amounts that would have resulted had NAVTEQ and Traffic.com filed consolidated income tax returns during the periods presented. The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

- (a) Elimination of revenue recognized by Traffic.com related to NAVTEQ.
- (b) Elimination of revenue recognized by NAVTEQ related to Traffic.com.
- (c) Elimination of cost recognized by Traffic.com related to NAVTEQ.
- (d) Elimination of cost recognized by NAVTEQ related to Traffic.com.
- (e) Record the amortization expense of intangible assets acquired as part of the acquisition of Traffic.com. The intangible assets that resulted from the purchase price allocation consist of customer relationships of \$17.0 million, trademarks of \$9.0 million and software of \$9.5 million. The estimated useful lives of the customer relationships, trademarks and software are ten years, eight years and three years, respectively. The estimated amounts reflect values estimated by management and may vary as the final purchase price allocation and related useful life of the assets acquired are subject to completion of the valuation.
- (f) Record the reduction of interest income on the net cash paid as part of the acquisition of Traffic.com based on an estimated average interest rate of 3.0% in 2005 and 4.25% in 2006.
- (g) Record the income tax benefit related to pro forma adjustments and Traffic.com's losses projected at an estimated effective tax rate of 38.0%.
- (h) Eliminate the accretion of redeemable convertible preferred stock.
- (i) Record the additional shares issued as part of the acquisition of Traffic.com.
- (j) Record the cash received from exercise of Traffic.com options and warrants immediately preceding the acquisition of Traffic.com.
- (k) Eliminate the NAVTEQ's investment in Traffic.com made prior to the merger.
- (l) Eliminate the deferred revenue and deferred cost recorded by NAVTEQ and Traffic.com related to agreements between the two companies.
- (m) Record the cash consideration given as part of the acquisition of Traffic.com.
- (n) Record the issuance of 4.3 million shares of NAVTEQ's Common Stock as part of the acquisition of Traffic.com and the elimination of the historical equity of Traffic.com.
- (o) Record the intangible assets that resulted from the purchase price allocation consisting of customer relationships of \$17.0 million, trademarks of \$9.0 million and software of \$9.5 million.
- (p) Record a deferred tax liability related to the differences between the tax bases and book bases for the acquired intangible assets.

(q) Reverse the capitalized internal-use software and related amortization expense recorded by Traffic.com prior to the merger.

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COMPARISON OF STOCKHOLDER RIGHTS AND CORPORATE GOVERNANCE MATTERS

Traffic.com and NAVTEQ are both Delaware corporations governed by the Delaware General Corporation Law. Any differences between the rights of the stockholders of Traffic.com and NAVTEQ arise primarily from differences in their respective charter documents. The rights of Traffic.com stockholders are governed by Traffic.com's Fifth Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, and the rights of NAVTEQ's stockholders are governed by NAVTEQ's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws. As a result of the merger, holders of Traffic.com common stock who receive NAVTEQ common stock as all or part of their merger consideration will become subject to the provisions of NAVTEQ's charter documents. The following is a summary of certain rights of Traffic.com stockholders and NAVTEQ stockholders. For a complete description of these rights, you are encouraged to read the relevant portions of the Delaware General Corporation Law as well as the full text of Traffic.com's Fifth Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, and NAVTEQ's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws.

Authorized Capital Stock

Traffic.com

The authorized capital stock of Traffic.com consists of 100,000,000 shares of common stock and 30,000,000 shares of preferred stock.

NAVTEQ

The authorized capital stock of NAVTEQ consists of 400,000,000 shares of common stock and 10,000,000 shares of preferred stock.

Number of Directors

Traffic.com

Traffic.com's certificate of incorporation and bylaws provide that, subject to the rights of holders of any series of its preferred stock, the number of directors shall be established by its board of directors. Traffic.com's board of directors currently consists of seven members.

NAVTEQ

NAVTEQ's certificate of incorporation and bylaws provide that the board of directors must consist of not less than three directors or more than fifteen directors. The exact number of directors shall be determined by a resolution adopted by the affirmative vote of a majority of the board of directors. NAVTEQ's board of directors currently consists of seven members.

Election of Directors

The Delaware General Corporation Law permits, but does not require, a classified board of directors, pursuant to which the directors can be divided into as many as three classes with staggered terms of office, with only one class of directors standing for election each year.

Traffic.com

Traffic.com's certificate of incorporation and bylaws provide that directors do not need to be elected by written ballot. Also, subject to the rights of holders of any series of preferred stock to elect directors, the board of directors will be divided into three classes: Class I, Class II and Class III. Also subject to the rights of holders of any series of preferred stock to elect directors, each director will

serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, that each director initially appointed to Class I shall serve for a term expiring at Traffic.com's annual meeting of stockholders held in 2006; each director initially appointed to Class II shall serve for a term expiring at Traffic.com's annual meeting of stockholders held in 2007; and each director appointed to Class III shall serve for a term expiring at Traffic.com's annual meeting of stockholders held in 2008. A director elected to fill a vacancy, however, will hold office only until the next election of the class for which the director was chosen. Each director will hold office until the election and qualification of his successor, subject to his earlier death, resignation or removal. Traffic.com's bylaws provide that directors do not need to be stockholders of Traffic.com. The bylaws provide that, when a quorum is present, any election of directors by the stockholders will be determined by a plurality of the votes cast by the stockholders entitled to vote on the election.

NAVTEQ

NAVTEQ's bylaws provide that the directors will be elected at the annual meeting of the stockholders and will hold office until the next annual meeting. The stockholders will elect NAVTEQ's directors by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. If, for any cause, the directors were not elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders. NAVTEQ's board of directors is not divided into classes.

Cumulative Voting for Directors

The Delaware General Corporation Law requires cumulative voting for the election of directors to be expressly provided for in the certificate of incorporation of a Delaware corporation. Neither Traffic.com's nor NAVTEQ's certificate of incorporation provide for cumulative voting.

Removal of Directors

Traffic.com

Traffic.com's certificate of incorporation and bylaws provide that, subject to the rights of holders of any series of preferred stock, directors may be removed only for cause and only by the affirmative vote of the holders of at least 75% of the votes which all stockholders would be entitled to cast in any annual election of directors or class of directors.

NAVTEQ

NAVTEQ's certificate of incorporation states that directors may be removed without cause by the affirmative vote of at least 66 2/3% in voting power of all shares entitled to vote generally in the election of directors, voting as a single class. Directors may also be removed for cause by the affirmative vote of a majority in voting power of all shares represented, in person or by proxy, at a meeting and entitled to vote generally in the election of directors. The provisions for removal of directors are subject to any rights granted to holders of any series of preferred stock regarding the election, term of office, removal, filling of vacancies and other features of directorships.

Liabilities of Directors; Directors' Fiduciary Duties

Under Delaware law, a corporation's certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of a fiduciary duty as a director. The certificate of incorporation of Traffic.com and the certificate of incorporation of NAVTEQ contain such limitations of the personal liability of directors.

Traffic.com

Traffic.com's certificate of incorporation provides that a Traffic.com director will not be liable to Traffic.com or its stockholders for monetary damages for the breach of a fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to Traffic.com or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payment of dividends or unlawful stock purchase or redemption under section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. These limitations on a Traffic.com director's liability may not be decreased by repeal of this provision, an amendment to this provision or a subsequently adopted provision in Traffic.com's certificate of incorporation with regards to any act or omission that occurred prior to the repeal of, amendment to or adoption of an inconsistent provisions of the certificate of incorporation.

NAVTEQ

NAVTEQ's certificate of incorporation provides that a NAVTEQ director will not be liable to NAVTEQ or its stockholders for monetary damages for breach of a fiduciary duty as a director of NAVTEQ, except to the extent that such exemption from liability or limitation on liability is not permitted by Delaware law as currently in effect or later amended. NAVTEQ's certificate of incorporation also notes that if the Delaware General Corporation Law is later amended to eliminate or further limit the liability of a director, then the liability of each director of NAVTEQ will also be eliminated or limited to the fullest extent permitted under Delaware law.

Indemnification of Corporate Agents

The Delaware General Corporation Law generally provides that subject to certain restrictions contained in the statute, a Delaware corporation may indemnify any person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation or was a director, officer, employee or agent of another business entity at the corporation's request. A person who has been successful on the merits or otherwise in any suit or matter covered by the indemnification statute must be indemnified against expenses incurred by him or her in connection with the suit or matter. Indemnification is authorized upon a determination that the person to be indemnified has met the applicable standard of conduct required. The determination is to be made by a majority vote of the directors who are not parties to the action, by a committee of such directors designated by a majority vote of such directors even though less than a quorum, or if there are no such directors or if such directors so direct, by independent counsel or by the stockholders. Expenses incurred in defense may be paid in advance of the final disposition of the suit upon receipt of an undertaking by the person to be indemnified to repay any amounts paid by the corporation if it is ultimately determined that he or she was not entitled to indemnification. The indemnification or advancement of expenses provided by the Delaware General Corporation Law is not exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. Insurance may be purchased on behalf of any person entitled to indemnification by the corporation against any liability incurred in an official capacity regardless of whether the person can be indemnified under the statute.

Traffic.com

The certificate of incorporation of Traffic.com provides that Traffic.com shall indemnify to the fullest extent and in the manner permitted by the Delaware General Corporation Law each person who was or is made a party to or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding by reason of the fact that he or she, or a person whom he or she is the heir, executor or administrator is or was a director or officer or is or was serving at the request of Traffic.com as a director, officer or agent of another corporation. Traffic.com must only indemnify any such person seeking indemnification in connection with a proceeding initiated by such person if such proceeding was authorized by the board of directors.

NAVTEQ

The certificate of incorporation and bylaws of NAVTEQ provide that NAVTEQ will indemnify its directors and officers to the fullest extent and in the manner permitted by the Delaware General Corporation Law. The certificate of incorporation and bylaws of NAVTEQ also provide that NAVTEQ has the power to the extent and in the manner permitted by the Delaware General Corporation Law to indemnify its employees and agents. NAVTEQ must only indemnify any such person seeking indemnification in connection with a proceeding initiated by such person if such proceeding was authorized by the board of directors.

Appraisal Rights

A Delaware corporation may, but is not required to, provide in its certificate of incorporation that appraisal rights shall be available to stockholders in the event of an amendment to the certificate of incorporation, the sale of all or substantially all of the assets of the corporation or the occurrence of any merger or consolidation in which the Delaware corporation is a constituent company.

Under the Delaware General Corporation Law and in the event that the certificate of incorporation does not speak to these matters, stockholders are entitled to certain limited rights of appraisal in the event of a merger or consolidation of the corporation. The Delaware appraisal statute entitles the dissenting stockholder to payment for the fair value of his or her shares. However, under the Delaware appraisal statute and unless otherwise provided in the certificate of incorporation, appraisal rights are available only for mergers or consolidations of the corporation. Furthermore, no appraisal rights are available, under the Delaware General Corporation Law, for the stockholders of a Delaware corporation that is the surviving corporation in a merger for certain mergers that do not require stockholder approval. Moreover, no appraisal rights are available to stockholders of a Delaware corporation in a merger for any shares of stock which, at the record date for the vote on the merger, were either (a) listed on a national securities exchange or quoted on an inter-dealer quotation system by the National Association of Securities Dealers, Inc. or (b) held of record by more than 2,000 stockholders. However, appraisal rights are available to Delaware stockholders if the stockholders are required by the terms of an agreement of merger or consolidation to accept for the stock of the constituent corporation anything except (a) shares of stock of the corporation surviving or resulting from the merger or consolidation, or their depository receipts; (b) shares of stock of any other corporation, or their depository receipts, which shares of stock or depository receipts at the effective date of the merger or consolidation will be listed on a national securities exchange or designated as a national market systems security on an inter-dealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders; (c) cash in lieu of fractional shares or fractional depository receipts; or (d) any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described above. Thus, appraisal rights are available under Delaware law for stockholders in a mixed stock/cash consideration merger.

Traffic.com

Traffic.com's certificate of incorporation does not include any provision regarding appraisal rights of its stockholders. The contemplated merger will give rise to the statutory appraisal rights provided for under Delaware law. Please see the section of this proxy statement/prospectus entitled "The Merger - Appraisal Rights" for more information on the appraisal rights of Traffic.com stockholders with respect to the merger.

NAVTEQ

NAVTEQ's certificate of incorporation does not include any provision regarding appraisal rights of its stockholders.

Issuance of Additional Stock

Traffic.com

Subject to limitations prescribed by the Delaware General Corporation Law, Traffic.com's board of directors has the authority to issue up to 30,000,000 shares of preferred stock divided into one or more series, to determine and fix the voting powers, designations, limitations, preferences and rights of those shares, and to issue up to a total of 100,000,000 shares of common stock of Traffic.com (including shares of common stock of Traffic.com currently issued and outstanding).

NAVTEQ

Subject to limitations prescribed by Delaware General Corporation Law, NAVTEQ's board of directors has the authority to issue up to 10,000,000 shares of preferred stock, to determine and fix the designations, voting powers, preferences and rights, qualifications, limitations and restrictions of those shares, and to issue up to a total of 400,000,000 shares of common stock of NAVTEQ (including shares of common stock of NAVTEQ currently issued and outstanding).

Stockholder Voting on Mergers and Certain Other Transactions

Under the Delaware General Corporation Law, whenever the approval of the stockholders of a corporation is required for an agreement of merger or consolidation or for a sale, lease or exchange of all or substantially all of its assets, the agreement, sale, lease or exchange must be approved by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote. Notwithstanding the foregoing, under the Delaware General Corporation Law, unless required by its certificate of incorporation, no vote of the stockholders of a constituent corporation surviving a merger is necessary to authorize a merger if:

- the agreement of merger does not amend in any respect the certificate of incorporation of the constituent corporation;
- each share of stock of the constituent corporation outstanding immediately prior to the merger is to be an identical outstanding or treasury share of the surviving corporation after the merger; and
- either no shares of common stock of the surviving corporation and no shares, securities or obligations convertible into the common stock are to be issued under the agreement of merger, or the number of shares of common stock issued or so issuable does not exceed 20% of the number of shares of common stock outstanding immediately prior to the merger.

In addition, the Delaware General Corporate Law provides that a parent corporation that is the record holder of at least 90% of the outstanding shares of each class of stock of a subsidiary may merge the subsidiary into the parent corporation without the approval of the subsidiary's stockholders or board of directors and without the approval of the parent's stockholders.

Traffic.com

Neither the certificate of incorporation nor the bylaws of Traffic.com alters the statutory requirements for stockholder approval of mergers or asset sales.

NAVTEQ

Neither the certificate of incorporation nor the bylaws of NAVTEQ alters the statutory requirements for stockholder approval of mergers or asset sales.

Business Combinations with Interested Stockholders

The Delaware General Corporation Law contains a prohibition, subject to certain exceptions, on business combinations by a Delaware corporation with interested stockholders for a period of three years following the date that such holder became an interested stockholder unless:

- prior to the time the stockholder became an interested stockholder, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- the interested stockholder owned at least 85% of the voting stock of the corporation, excluding specified shares, upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder; or
- on or subsequent to the time the stockholder became an interested stockholder, the business combination is approved by the board of directors of the corporation and authorized by the affirmative vote, at an annual or special meeting and not by written consent, by at least 66 $\frac{2}{3}$ % of the outstanding voting shares of that corporation, excluding shares held by that interested stockholder.

Interested stockholders are generally defined under the statute as stockholders owning 15% or more of the outstanding voting stock of the corporation. This general prohibition was designed to discourage hostile take-over attempts of Delaware corporations by third parties. This provision of the Delaware General Corporation Law applies to publicly traded corporations incorporated in Delaware unless a corporation specifically opts out of coverage of the provision.

Traffic.com

Traffic.com's certificate of incorporation does not specifically opt out of this provision; therefore, the prohibitions described above are applicable to Traffic.com.

NAVTEQ

NAVTEQ's certificate of incorporation specifically opts out of this provision of the Delaware General Corporation Law; therefore, the prohibitions described above are not applicable to NAVTEQ.

Stockholder Rights Plan

Neither Traffic.com nor NAVTEQ currently has a stockholder rights plan in effect.

Special Meetings

Under the Delaware General Corporation Law, a special meeting of the stockholders may be called by the board of directors or any other person as may be authorized by the corporation's certificate of incorporation or bylaws.

Traffic.com

Traffic.com's bylaws and certificate of incorporation provide that special meetings of Traffic.com stockholders may be called by Traffic.com's board of directors, or by the chairman of the board, or by

the chief executive officer, or by one or more stockholders holding shares in the aggregate entitled to cast not less than 50% of the votes at that meeting. Traffic.com's bylaws include different notice procedures for a special meeting called by stockholders holding not less than 50% of the votes. In that case, the request for a special meeting specifying the general nature of the business proposed to be transacted, shall be delivered personally or sent by registered mail, other written communication, or electronic transmission to the chairman of the board, the chief executive officer, any vice president, or the secretary of the corporation. The secretary of the corporation must fix the time and date of the special meeting, which must be held not less than ten days nor more than sixty days after the receipt of the request for the special meeting, and must give notice to stockholders. Only business specified in a notice of a special meeting may be transacted at the meeting.

NAVTEQ

NAVTEQ's bylaws and certificate of incorporation provide that, except as required by law or by any certificate of designation relating to any series of preferred stock, special meetings of stockholders of any class or series of stock may be called only by the board of directors pursuant to a resolution stating the purpose or purposes of the meeting, upon a written request filed with the corporation's secretary by any holder of record owning at least 25% of the then outstanding shares of common stock, or upon a written request filed with the secretary of the corporation of the holders of record owning, in the aggregate, at least 50% of the then outstanding shares of common stock. The bylaws further provide that only business stated in the meeting notice may be considered at special meetings of NAVTEQ stockholders. Either the board of directors or any stockholder who is a stockholder of record as of the date of the notice of the meeting may make nominations of persons for election to the board of directors during a special meeting of stockholders at which directors are to be elected pursuant to the notice of meeting.

Action by Stockholders Without a Meeting

Delaware General Corporation Law permits the stockholders of a corporation to consent in writing to any action without a meeting, unless the certificate of incorporation of that corporation provides otherwise, provided the consent is signed by stockholders having at least the minimum number of votes required to authorize that action at a meeting of stockholders at which all shares entitled to vote thereon were present and voted.

Traffic.com

The certificate of incorporation and bylaws of Traffic.com state that stockholders of the corporation may not take any action by written consent in lieu of a meeting.

NAVTEQ

The certificate of incorporation and bylaws of NAVTEQ provide that, except as otherwise provided by any certificate of designation relating to any series of preferred stock, any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting and may not be effected through any written consent.

Charter and Bylaws Amendments

Under the Delaware General Corporation Law, an amendment or change to the certificate of incorporation generally requires the approval of the board of directors, followed by the approval of the amendment by the affirmative vote of the owners of a majority of the outstanding shares entitled to vote on the amendment. When an amendment of the certificate would adversely affect the rights of a class of stock or the rights of a series or a class, Delaware General Corporation Law provides that the

enactment of the amendment also requires the affirmative vote of the owners of a majority of the outstanding shares of the affected class or series.

Under Delaware General Corporation Law, bylaws may be adopted, amended or repealed by the stockholders entitled to vote provided that any corporation may, in its certificate of incorporation, confer this power upon the directors. However, the power vested in the stockholders shall not be divested or limited where the board of directors also has this power.

Traffic.com

Traffic.com's certificate of incorporation provides that Article Six (regarding amendment of the bylaws), Article Nine (regarding management of the business and conduct of the affairs of the corporation), Article Ten (regarding the prohibition on shareholder action by written consent), and Article Eleven (regarding special meetings) of the certificate of incorporation may not be amended or repealed without the affirmative vote of at least 75% of the votes which all stockholders would be entitled to cast in any annual election of directors or class of directors. Traffic.com's certificate of incorporation also provides that the board of directors has the power to adopt, amend, alter or repeal the bylaws by an affirmative vote of a majority of directors present at any regular or special meeting of the board of directors where a quorum is present. The bylaws may also be adopted, amended, altered or repealed by the affirmative vote of the holders of at least 75% of the votes which all stockholders would be entitled to cast in any annual election of directors or class of directors.

NAVTEQ

NAVTEQ's certificate of incorporation provides that Article Seven of the certificate of incorporation (regarding indemnification) may not be amended, repealed, or modified unless such action is approved by the affirmative vote of at least 75% of the outstanding common stock of the company, subject to the provisions of any series or class of preferred stock which may, at the time, be outstanding. The certificate of incorporation further states that the corporation reserves the right to amend or repeal any provision contained in the certificate of incorporation so long as such amendment or repeal is effected in the manner prescribed in the certificate of incorporation and under the laws of the State of Delaware. All rights granted to the stockholders are subject to that reservation. NAVTEQ's bylaws provide that the bylaws may be amended or repealed or new bylaws may be adopted by the stockholders. In addition to any vote of the holders of any class or series of stock of NAVTEQ required by law and any vote provided for in its certificate of incorporation, the affirmative vote of a majority of the voting power of all of the then-outstanding shares of the capital stock of NAVTEQ entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the bylaws. The board of directors also has the authority to adopt, amend or repeal the bylaws subject to the power of the stockholders to adopt, amend, or repeal such bylaws and provided that the board of directors shall not adopt, amend, or repeal the section regarding amendments to the bylaws or any bylaws fixing the qualifications, classifications, term of office, or compensation of directors, or relating to vacancies in the board of directors.

ADDITIONAL INFORMATION

Stockholder Proposals

Pursuant to Rule 14a-8 under the Exchange Act, stockholders may present proposals for inclusion in a company's proxy statement and for consideration at the next annual meeting of its stockholders by submitting their proposals to the company in a timely manner.

NAVTEQ

Stockholders may nominate director candidates and make proposals to be considered at the 2007 Annual Meeting. In accordance with NAVTEQ's bylaws, any stockholder nominations of one or more candidates for election as directors at the 2007 Annual Meeting or any other proposal for consideration at the 2007 Annual Meeting must be received by the Secretary of NAVTEQ at the address set forth below, together with certain information specified in NAVTEQ's bylaws, not later than the 90th day nor earlier than the 120th day prior to the first anniversary of the preceding year's annual meeting (in this case, January 10, 2007 to February 9, 2007); provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 30 days after such anniversary date, notice by the stockholder must be so received not earlier than the 120th day prior to the annual meeting and not later than the later of the 90th day prior to the annual meeting or the 10th day following the day on which public announcement of the date of the meeting is first made by us.

In addition to being able to present proposals for consideration at the 2007 Annual Meeting, stockholders may also be able to have their proposals included in NAVTEQ's proxy statement and form of proxy for the 2007 Annual Meeting. In order to have had a stockholder proposal included in the proxy statement and form of proxy, the proposal must have been delivered to NAVTEQ at the address set forth below not later than December 1, 2006, and the stockholder must have otherwise complied with applicable SEC requirements and NAVTEQ's bylaws.

The form of proxy issued with NAVTEQ's 2007 proxy statement will confer discretionary authority to vote for or against any proposal made by a stockholder at NAVTEQ's 2007 Annual Meeting and which is not included in NAVTEQ's proxy statement. However, such discretionary authority may not be exercised if the stockholder proponent has given to NAVTEQ's Secretary notice of such proposal between January 10, 2007 and February 9, 2007, and certain other conditions provided for in the SEC's rules have been satisfied.

A copy of the full text of the bylaw provisions discussed above may be obtained on NAVTEQ's web site at www.navteq.com under Corporate Governance Investor Relations or by writing to the Secretary of NAVTEQ. All notices and nominations referred to above must be sent to the Secretary of NAVTEQ, at the following address: NAVTEQ Corporation, 222 Merchandise Mart, Suite 900, Chicago, Illinois 60654, Attention: Lawrence M. Kaplan, Senior Vice President, General Counsel and Secretary.

Traffic.com

Traffic.com will hold a 2007 annual meeting of stockholders only if the merger is not completed. Traffic.com stockholders may submit proposals for inclusion in Traffic.com's 2007 proxy statement and consideration at the 2007 annual meeting of its stockholders. To comply with the advance notice requirements in Traffic.com's bylaws and with the requirements of the Securities Exchange Act of 1934, a stockholder seeking to include a proposal in Traffic.com's proxy materials for the 2007 annual meeting of stockholders must submit the proposal in writing to the Secretary of Traffic.com not less than 90 days nor more than 120 days before the anniversary date of the previous year's annual meeting and must otherwise comply with the requirements of Traffic.com's bylaws and Rule 14a-8 under the Exchange Act.

If the date of the 2007 annual meeting changes by more than 20 days or is delayed by more than 60 days from the anniversary of the previous year's annual meeting, stockholder proposals must be received not earlier than 120 days prior to the annual meeting and not later than the close of business on the later of (i) 90 days prior to the date of the meeting and (ii) ten days following the date on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever occurs first. You may obtain a copy of the full text of the bylaws provisions concerning stockholder proposals by writing to the Secretary of Traffic.com. All such requests and notices of proposals by stockholders should be sent to Traffic.com, 851 Duportail Road, Wayne, PA 19087, Attention: Secretary, Brian J Sisko.

Legal Matters

The legality of the shares of NAVTEQ common stock to be issued in the merger will be passed upon for NAVTEQ by Pepper Hamilton LLP. Certain United States federal income tax consequences of the merger will be passed upon for NAVTEQ by Pepper Hamilton LLP and for Traffic.com by Klehr, Harrison, Harvey, Branzburg & Ellers LLP.

Experts

The consolidated financial statements and schedule of NAVTEQ as of December 31, 2004 and 2005, and for each of the years in the three-year period ended December 31, 2005, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 have been incorporated by reference herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Traffic.com at December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005, included in this proxy statement/prospectus, which is referred to and made a part of this proxy statement/prospectus and registration statement, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

NAVTEQ and Traffic.com file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy these reports, statements or other information filed by either NAVTEQ or Traffic.com at the public reference facilities maintained by the SEC in Room 1590, 100 F Street, N.E., Washington, D.C. 20002. You may call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The SEC filings of NAVTEQ and Traffic.com are also available to the public at the website maintained by the SEC at www.sec.gov.

NAVTEQ has filed a registration statement on Form S-4 to register with the SEC the NAVTEQ common stock to be issued to Traffic.com stockholders in the merger. This proxy statement/prospectus is a part of that registration statement and constitutes a prospectus of NAVTEQ, in addition to being a proxy statement of Traffic.com for its special meeting. The registration statement, including the attached annexes, exhibits and schedules, contains additional relevant information about NAVTEQ, NAVTEQ common stock and Traffic.com. As allowed by SEC rules, this proxy statement/prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement.

The SEC allows NAVTEQ to incorporate by reference information into this proxy statement/prospectus. This means that NAVTEQ can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this proxy statement/prospectus, except for any information that is superseded by information that is included directly in this proxy statement/prospectus or incorporated by reference subsequent to the date of this proxy statement/prospectus.

This proxy statement/prospectus incorporates by reference the documents listed below that NAVTEQ has previously filed with the SEC. They contain important information about NAVTEQ and its financial condition. The following documents, which were filed by NAVTEQ with the SEC, are incorporated by reference into this proxy statement/prospectus:

- Annual Report of NAVTEQ on Form 10-K for the fiscal year ended December 31, 2005, filed with the SEC on March 9, 2006;
- Quarterly Report of NAVTEQ on Form 10-Q for the quarterly period ended October 1, 2006, filed with the SEC on November 7, 2006;
- Quarterly Report of NAVTEQ on Form 10-Q for the quarterly period ended July 2, 2006, filed with the SEC on August 4, 2006;
- Quarterly Report of NAVTEQ on Form 10-Q for the quarterly period ended April 2, 2006, filed with the SEC on May 5, 2006;
- Current Reports of NAVTEQ on Form 8-K or Form 8-K/A filed on January 9, 2006, February 7, 2006, March 3, 2006, May 11, 2006, August 15, 2006, November 6, 2006, December 4, 2006, December 6, 2006, December 15, 2006 and January 10, 2007 (to the extent that the information in such filings is deemed to be filed and not furnished pursuant to the requirements of Form 8-K); and
- the description of NAVTEQ's common stock contained in its registration statement on Form 8-A filed on August 2, 2004 under Section 12(b) of the Exchange Act

In addition, NAVTEQ incorporates by reference additional documents that it may file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 between the date of this proxy statement/prospectus and the date of Traffic.com's special meeting. These documents include periodic reports, such as annual reports on Form 10-K, quarterly reports on

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Form 10-Q and current reports on Form 8-K (to the extent that the information in such filings is deemed to be filed and not furnished pursuant to the requirements of Form 8-K).

NAVTEQ also incorporates by reference the agreement and plan of merger attached to this proxy statement/prospectus as *Annex A*.

NAVTEQ has supplied all information contained in or incorporated by reference into this proxy statement/prospectus relating to NAVTEQ and Traffic.com has supplied all information contained in this proxy statement/prospectus relating to Traffic.com.

You can obtain any of the documents incorporated by reference into this proxy statement/prospectus from NAVTEQ through the SEC Filings link located on the investor relations page of its website at www.navteq.com or from the Securities and Exchange Commission, which is referred to as the SEC, through the SEC's website at www.sec.gov. Documents incorporated by reference are also available from NAVTEQ without charge, excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference as an exhibit in this proxy statement/prospectus. Traffic.com stockholders may request a copy of such documents by contacting NAVTEQ at:

NAVTEQ Corporation
222 Merchandise Mart, Suite 900
Chicago, Illinois 60654
Attn: Investor Relations
Telephone: (312) 894-7000

You may obtain copies of information relating to Traffic.com, without charge, by contacting Traffic.com at:

Traffic.com, Inc.
851 Duportail Road
Wayne, Pennsylvania
Attn: General Counsel
Telephone: (610) 725-9700

We are not incorporating the contents of the websites of the SEC, NAVTEQ, Traffic.com or any other person into this document. We are only providing the information about how you can obtain certain documents that are specifically incorporated by reference into this proxy statement/prospectus at these websites for your convenience.

IN ORDER FOR YOU TO RECEIVE TIMELY DELIVERY OF THE DOCUMENTS INCORPORATED BY REFERENCE INTO THIS PROXY STATEMENT/PROSPECTUS IN ADVANCE OF THE TRAFFIC.COM SPECIAL MEETING, NAVTEQ SHOULD RECEIVE YOUR REQUEST NO LATER THAN _____, 2007, WHICH IS FIVE BUSINESS DAYS PRIOR TO THE SPECIAL MEETING.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Traffic.com, Inc.

Audited Consolidated Financial Statements

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Unaudited Condensed Interim Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Traffic.com, Inc.

We have audited the accompanying consolidated balance sheets of Traffic.com, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Traffic.com, Inc. at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, PA
March 10, 2006

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TRAFFIC.COM, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Amounts)

	2004	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,898	\$ 13,143
Accounts receivable, net of allowance of \$950 and \$779 at December 31, 2004 and 2005, respectively	9,859	10,177
Government services receivables	1,501	2,091
Deferred offering costs		2,368
Other current assets	1,323	723
Total current assets	17,581	28,502
Property and equipment, net	14,885	23,816
Intangible assets, net		130
Deferred financing fees	98	1,531
Restricted cash, net	1,002	780
Other long-term assets	164	219
Total assets	\$ 33,730	\$ 54,978
Liabilities, redeemable convertible preferred stock, and stockholders deficit		
Current liabilities:		
Accounts payable	\$ 2,496	\$ 3,023
Accrued station compensation	3,321	3,032
Accrued legal settlements		7,125
Other accrued expenses	1,665	4,528
Revolving credit facility	810	4,128
Current portion of deferred revenue	604	1,711
Current portion of deferred license fees	400	1,148
Current maturities of long-term debt	33	
Total current liabilities	9,329	24,695
Senior secured credit facility and accrued interest	23,744	37,659
Deferred revenue	17,793	23,261
Deferred license fees	9,170	9,385
Asset retirement obligation		678
	60,036	95,678
Redeemable convertible preferred stock, \$0.01 par value:		
Series E; 18,000,000 shares authorized and 16,265,094 issued and outstanding at December 31, 2004 and 2005; liquidation preference of \$65,060 at December 31, 2004 and 2005	32,530	32,530
Series E-1; 6,419,811 shares authorized issued and outstanding at December 31, 2004, and 2005; liquidation preference of \$11,448, and \$12,364 at December 31, 2004 and 2005, respectively	7,284	9,321
Series F; 6,000,000 shares authorized and 5,042,090 issued and outstanding at December 31, 2005; liquidation preference of \$20,168 at December 31, 2005		15,126
	39,814	56,977
Stockholders deficit:		
Common stock, \$0.01 par value, 69,580,189 shares authorized and 3,427,043, and 3,826,325 shares issued and outstanding at December 31, 2004 and 2005, respectively;	35	39
Additional paid-in capital	48,641	61,566
Notes receivable from stockholders	(505)	(177)
Deferred stock based compensation		(1,672)
Accumulated deficit	(114,291)	(157,433)
Total stockholders deficit	(66,120)	(97,677)
Total liabilities, redeemable convertible preferred stock and stockholders deficit	\$ 33,730	\$ 54,978

See accompanying notes to audited consolidated financial statements.

Traffic.com, Inc.
Consolidated Statements of Operations

(In Thousands, Except Per
Share Amounts)

	Year ended December 31		
	2003	2004	2005
Revenue:			
Advertising	\$ 36,045	\$ 39,449	\$ 38,871
Traffic data services	581	2,993	4,422
License agreement	750		
	37,376	42,442	43,293
Cost of revenue	30,988	32,090	33,567
Gross margin	6,388	10,352	9,726
Operating expenses:			
Research and development	2,828	3,647	3,905
Sales and marketing	14,086	12,032	16,177
General and administrative	6,402	7,229	8,704
Legal settlements			18,473
	23,316	22,908	47,259
Loss from operations	(16,928)	(12,556)	(37,533)
Interest income (expense), net	(4,151)	(3,428)	(5,609)
Net loss	\$ (21,079)	\$ (15,984)	\$ (43,142)
Redemption and accretion of redeemable convertible preferred stock	34,824	(2,128)	(2,037)
Net income (loss) attributable to common stockholders	\$ 13,745	\$ (18,112)	\$ (45,179)
Net income (loss) attributable to common stockholders per share:			
Basic	\$ 5.15	\$ (5.91)	\$ (13.00)
Diluted	\$ 1.45	\$ (5.91)	\$ (13.00)
Number of shares used in per share calculation:			
Basic	2,671	3,064	3,474
Diluted	9,492	3,064	3,474

See accompanying notes to audited consolidated financial statements.

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Traffic.com, Inc.

Consolidated Statements of Stockholders Deficit

(In Thousands, Except Share Amounts)

	Common Stock Shares	Par Value	Additional Paid-in Capital	Notes Receivable from Stockholders	Deferred Stock-Based Compensation	Accumulated Deficit	Total
Balance at January 1, 2003	1,873,032	\$ 19	\$	\$ (129)	\$	\$ (77,228)	\$ (77,338)
Exercise of common stock options	40,701		88	(52)			36
Conversion of preferred stock	1,051,810	11	14,935				14,946
Redemption of Series D preferred stock			25,444				25,444
Exchange of Series A through D preferred stock for common stock			11,680				11,680
Stock based compensation related to stock options granted to non-employees			319				319
Issuance of common stock warrants			75				75
Preferred stock accretion			(2,300)				(2,300)
Net loss						(21,079)	(21,079)
Balance at December 31, 2003	2,965,543	30	50,241	(181)		(98,307)	(48,217)
Exercise of common stock options	461,500	5	528	(324)			209
Preferred stock accretion			(2,128)				(2,128)
Net loss						(15,984)	(15,984)
Balance at December 31, 2004	3,427,043	35	48,641	(505)		(114,291)	(66,120)
Exercise of common stock options	32,489		44				44
Exercise of common stock warrants	66,231	1	36				37
Issuance of common stock in settlement of litigation	300,562	3	3,453				3,456
Issuance of common stock warrants			2,477				2,477
Repayment of stockholder notes				328			328
Investor share of legal settlement treated as capital contribution			7,125				7,125
Deferred stock-based compensation related to employee stock options			1,827		(1,827)		
Amortization of deferred stock-based compensation					155		155
Preferred stock accretion			(2,037)				(2,037)
Net loss						(43,142)	(43,142)
Balance at December 31, 2005	3,826,325	\$ 39	\$ 61,566	\$ (177)	\$ (1,672)	\$ (157,433)	\$ (97,677)

See accompanying notes to audited consolidated financial statements.

Traffic.com, Inc.**Consolidated Statements of Cash Flows****(In thousands)**

	Year ended December 31		
	2003	2004	2005
Operating activities			
Net loss	\$ (21,079)	\$ (15,984)	\$ (43,142)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation of property and equipment	2,232	1,579	2,352
Amortization of deferred financing fees and intangible assets	2,233	3,330	619
Stock based compensation expense	319		155
Non-cash legal expenses			11,348
Provision for bad debts	250	78	61
Changes in assets and liabilities:			
Accounts and government services receivables	(5,686)	489	(969)
Other assets	(126)	(700)	(1,816)
Accounts payable and accrued expenses	2,483	(1,920)	6,450
Accrued legal settlements			7,125
Deferred revenue	5,071	8,921	6,575
Deferred license agreement	(10,000)	9,570	963
Net cash (used in) provided by operating activities	(24,303)	5,363	(10,279)
Investing activities			
Purchases of property and equipment	(3,740)	(6,221)	(10,169)
Change in restricted cash	(456)	(41)	222
Purchases of marketable securities	(7,512)		
Sales and maturities of marketable securities	17,837		
Net cash provided by (used in) investing activities	6,129	(6,262)	(9,947)
Financing activities			
Payments made to repurchase Series D preferred stock	(9,359)		
Proceeds from the sale of Series E preferred stock	27,487		
Proceeds from the sale of Series F preferred stock			15,126
Borrowings under the senior secured credit facility			10,000
Debt issuance costs	(570)	(157)	(349)
Net proceeds from (payments of) the revolving credit facility	4,000	(3,190)	3,318
Proceeds from the exercise of common stock options and warrants	36	209	81
Proceeds from the payment of shareholder notes			328
Payment on long-term debt	(57)	(64)	(33)
Net cash provided by (used in) financing activities	21,537	(3,202)	28,471
Net increase (decrease) in cash and cash equivalents	3,363	(4,101)	8,245
Cash and cash equivalents at beginning of period	5,636	8,999	4,898
Cash and cash equivalents at end of period	\$ 8,999	\$ 4,898	\$ 13,143
Supplemental cash flow disclosures			
Redemption and accretion of preferred stock	\$ 34,824	\$ (2,128)	\$ (2,037)
Cash paid for interest	913	1,308	1,263
Non-cash debt issuance costs	3,662		1,712

See accompanying notes to audited consolidated financial statements.

Traffic.com, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Traffic.com, Inc. (the Company), formerly known as Mobility Technologies, Inc., is deploying a nationwide traffic and logistics data collection network and a proprietary Traffic Information Management System (TIMS) with the goal of becoming the nation's premier provider of real-time digital predictive traffic and logistics information for businesses, consumers, and government agencies. The Company's plans call for building a network of wireless sensors (the digital sensor network) and integrating government agency sensors along major highways in over 40 of the largest metropolitan areas in the United States. The digital sensor network collects vehicle counts, vehicle speeds, classification (car or truck), and roadway density and transmits the data every 60 seconds over a wireless network to TIMS. As of March 15, 2006, the Company has completed its digital sensor network and received system acceptance from the relevant transportation agencies in Boston, Chicago, Oklahoma City, Philadelphia, Pittsburgh, Providence, San Diego, St. Louis and Tampa. The Company is collecting data from sensor networks that it is in the process of constructing in Detroit, Los Angeles, Phoenix, San Francisco, and Washington, DC. The Company is under contract to deploy its sensor network in Baltimore and Seattle. In addition, the Company is under contract to integrate probe data in Salt Lake City into TIMS. The Company's data collection network also includes state agency data and traditional traffic event and incident information with operations in 35 cities, utilizing scanners, cameras, vehicles, and aircraft. The Company's revenue opportunities include traditional broadcast (radio, TV) and new media (cable, Internet, mobile wireless, and satellite radio), logistics and fleet management, mobile workforce professionals, telematics (in-vehicle units), and government agencies.

On January 25, 2006 the Company completed an initial public offering and began trading on the NASDAQ National Market under the symbol TRFC.

Contract with United States Department of Transportation

In 1999, the Company, as principal subcontractor, was awarded a subcontract with the U.S. Department of Transportation (U.S. DOT) under the provisions of the 1998 Transportation Equity Act for the 21st Century (TEA 21) as authorized by the United States Congress. TEA 21 authorizes federal funds to enable the Company to deploy an intelligent transportation infrastructure system (the digital sensor network) to collect, integrate, and distribute real-time traffic data. TEA 21 also allows the creation of a data repository of new and existing real-time traveler and related information for dissemination to the traveling public through a variety of delivery mechanisms, including support for a 511-based telephone service, provision of free basic traveler information to the public for personal use, and commercial traveler information services. TEA 21 allocated \$2 million of federal funds per metropolitan area and requires a \$0.5 million non-federal match. The first task order awarded to the Company allocated \$4 million to begin the deployment of such systems in two metropolitan areas - Pittsburgh and Philadelphia.

Under the terms of the subcontract, the Company, during installation of its digital sensor network and upon completion of specified milestones, is paid approximately \$1.9 million, or 95% of the \$2.0 million received by the prime contractor, per metropolitan area for providing data to the various federal and state agencies for noncommercial purposes such as research, planning, and congestion management. The Company retains the ability to market the data for commercial purposes and has committed to share up to 10% of certain revenues with state and local departments of transportation for reinvesting and enhancing the system. The revenue share amount is calculated quarterly, and the required amount is placed in a separate cash account annually and recorded as restricted cash in the accompanying balance sheets. The impact of the revenue share has historically been immaterial, and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

amounted to \$0.1 million in 2005. The Company owns and is responsible for deploying, operating, and maintaining the digital sensor network without future government funding beyond the initial payments above.

Following the successful completion of the Pittsburgh and Philadelphia systems, the Company was awarded a second task order that authorizes an additional \$50 million to continue the deployment in twenty-five more metropolitan areas. Recent federal legislation (SAFETEA-LU) reauthorizes the program and makes additional cities eligible for the program. On March 3, 2006, U.S. DOT selected 10 metropolitan areas that are able to enter into contracts for use of the remaining funds: Atlanta, Charlotte, Denver, Indianapolis, Las Vegas, Minneapolis, New York/Northern New Jersey, Portland, Sacramento, and San Jose.

The 1st Federal Task Order which covered the Pittsburgh and Philadelphia locations did not provide a contractual term. Under the 2nd Federal Task Order (which covers 25 additional cities), the contractual obligation to provide the Government with traffic flow data under the Federal Task Order will end ten years from the date of system acceptance in each metropolitan area, or January 1, 2012, whichever is the earlier of these two dates. It is noted in the Federal Task Order, however, that the Company is expected to continue to provide services to public agencies and commercial clients on an ongoing basis. Further, the Company is required to provide the services to the public agencies as long as it provides such services to its commercial markets.

The 2nd Federal Task Order allows the Federal government to terminate its agreement with the Company for cause at any time within the first ten years after system acceptance in the deployment of each metropolitan area or January 1, 2012, whichever is the earlier of these two dates. If such were to occur, the Company would be obligated to pay liquidated damages of \$960,000 in year one, reducing by 10% each year through year 10; however, in no case would the Company be liable for any liquidated damages after January 1, 2012.

Under the terms of the Federal Task Order, the Company is required to enter into separate agreements with each metropolitan area for which it is providing traffic data services. The terms and contract life for each of the local agreements is unique to the contract itself, ranging from a period of five years to a period no longer than the January 1, 2012 contract termination date under the Federal Task Order, in addition to renewal and extension periods. Also, stipulated in these local government contracts are the provisions related to the sensor network in the event the contract is either terminated with cause or not renewed upon completion of the original contract term. If the Company ceases to operate, maintain or manage the traffic sensor network in any of its metropolitan areas prior to termination of the agreement, the Company must dispose of it equipment in the following manner:

- For equipment purchased by the Company with private funds, the local government agency will have right of first refusal to purchase the equipment at fair value.
- For equipment purchased with public funds, the local government agency can obtain the equipment at no cost. It should be noted that the Federal Task Order specifically states that no federal funds can be used for the purchase of equipment.
- In the event the local government agency does not exercise its rights to purchase or obtain the equipment, the Company must dispose of the equipment at its own cost.

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2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On an ongoing basis, the Company evaluates its estimates, including those related to accounts receivable allowance, useful lives of long lived assets, its asset retirement obligation, revenue recognition on the U.S. DOT contract, the value of common stock for the purpose of determining stock-based compensation, and income taxes, among others. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying value of assets and liabilities.

The Company has granted stock options at exercise prices equal to the value of the underlying stock as determined by its board of directors on the date of option grant. For purposes of financial accounting for stock-based compensation, management has applied hindsight within each year to arrive at reassessed values for the shares underlying the options. These reassessed values were determined based on a number of factors, including input from advisors, the Company's historical and forecasted operating results and cash flows, and comparisons to publicly-held companies. The reassessed values were used to determine the amount of stock-based compensation recognized related to stock option grants to employees and non-employees and the amount of expense related to stock warrants issued to third parties.

Revenue Recognition

Advertising

Since inception, the majority of the Company's revenues have been derived from the sale of advertising on radio and television stations. The Company receives airtime inventory from radio and television stations in exchange for traffic information and services. No revenue is recognized on the exchange of traffic data services for advertising time as neither the fair value of the advertising time received nor the traffic data services provided can be determined within reasonable limits. The Company purchases additional airtime inventory for cash. The Company employs a sales force to sell advertisements on the acquired airtime. Revenue is recognized when the advertisements are aired.

Revenue from Internet and wireless advertising is recognized over the period during which the advertisement is displayed or aired.

Traffic Data Services

The Company has entered into contracts with certain customers whereby the Company provides traffic data in exchange for cash. Some arrangements have included fees paid to the Company for exclusive access to the Company's data for specified purposes. The Company recognizes revenue

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from these sources during the period in which the services are performed. In addition, certain agreements have provided the Company with payments in advance of future revenues. In those instances, the Company records the receipt of cash as deferred license fees on the balance sheet. The Company's traffic data services agreements may include multiple components to the agreement including advertising, traffic data licensing, and exclusivity fees. The Company recognizes the revenue associated with each component of the multiple element arrangement based on the relative fair values of each component. If fair value of each component cannot be determined, the appropriate recognition of revenue is then determined for those combined deliverables as a single unit of accounting.

The Company receives cash payments based on the achievement of certain milestones, as defined in the USDOT subcontract, in deploying its digital sensor networks. The majority of all funds are received on or before complete installation of the system and system acceptance. The invoicing of achieved milestones is recorded as deferred revenue. Revenue recognition commences upon formal customer acceptance of the system and is recognized pro rata over the estimated service period of the individual networks of 15 years. Revenue recognized was \$0.3 million, \$0.4 million, and \$0.9 million for 2003, 2004, and 2005, respectively.

Cost of Revenue

Cost of revenue consists of media inventory expenses, traffic data collection expenses, and other technology costs associated with maintaining the Company's TIMS network. Media inventory expenses consist of cash paid to purchase advertising inventory under long-term contracts with radio stations. In addition, media inventory expenses include cash payments to radio stations to purchase additional advertising inventory in the spot market on an as-needed basis, referred to as cash buys. Traffic data collection expenses consist of the costs of personnel, both full-time and part-time, the costs of aircraft, automobiles, the monitoring of police and emergency response vehicles, the depreciation of the Company's traffic flow data sensor network, the use of state and local agency data sources where available (including sensors and cameras), and the Company's own camera network. These expenses also include occupancy and communications costs for the Company's national operations center and its local operations centers. Included in other technology expenses are internal product development expenses, the cost of consultants engaged to assist with various software development programs, and the depreciation of certain technology costs capitalized in accordance with SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. In addition, these other technology costs include communications costs and capital depreciation of computer hardware.

License Agreement

See Note 7 for accounting treatment of the Company's former License Agreement.

Certain Risks and Concentrations

The Company's revenues are principally derived from advertising, the market for which is highly competitive and rapidly changing. Significant changes in this industry or changes in customer buying behavior could adversely affect the Company's operating results.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, restricted cash and accounts receivable. At December 31, 2004, and 2005, the Company had \$5.6 million and \$13.6 million, respectively, on

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deposit with a financial institution and its related investment funds. The amounts held by that institution are insured up to the full net value of the investments. Accounts receivable are typically unsecured and are derived from revenues earned from customers located in the U.S.

Cash and Cash Equivalents

Cash and cash equivalents represent cash and highly liquid short-term investments with original maturities of three months or less.

Restricted Cash

Restricted cash represents cash and cash equivalents restricted for standby letters of credit supporting long-term facility leases and escrow agreements.

Accounts Receivable

Accounts receivables are recorded at the invoice amount and are not interest bearing. The Company performs credit evaluations of its new customers and generally requires no collateral. The Company provides for losses from uncollectible accounts based on analyzing historical data and current trends and such losses have historically not exceeded management's expectations. Past due or delinquency status is based on contractual terms. Past due amounts are written off against the allowance for doubtful accounts when collection is deemed unlikely and all collection efforts have ceased.

Property and Equipment

The Company's property and equipment consist principally of the sensor network pole assets, technology assets such as computer hardware and software, and leasehold improvements and equipment. Included in the sensor network pole assets are the steel poles used to mount the equipment and the radar and solar panels and the related installation costs. Electronic items such as modem, battery and wiring assembly are included in computer hardware and software.

Property and equipment are stated at cost. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the related assets. The Company reviews the carrying value of its property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of any asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the future discounted cash flows compared to the carrying amount of the asset.

The Company capitalizes software development and acquisition costs in accordance with Statement of Position (SOP) 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. The costs of internally developed software are expensed unless incurred during the application development stage. Software development costs capitalized during the application development stage are included in property and equipment and depreciated on a straight-line basis over three years, which is the estimated useful life. Capitalized software costs were \$0.2 million at December 31, 2004 and \$1.2 million at December 31, 2005, net of accumulated depreciation of \$0.9 million at December 31, 2004 and \$1.2 million at December 31, 2005.

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Deferred Financing Fees

Financing costs, including legal fees, the fair value of equity instruments, and lender fees associated with the issuance of debt have been capitalized as deferred financing costs in the accompanying balance sheets and are being amortized to interest expense over the terms of the related debt.

Total amortization of deferred financing fees on the senior secured credit facility was \$2.2 million, \$3.2 million, and \$0.6 million in 2003, 2004, and 2005, respectively. Total amortization of deferred financing fees on the revolving credit facility was \$0.1 million in 2004.

Deferred Offering Costs

Deferred offering costs consist of costs related to the Company's initial public offering. The deferred offering costs will be offset against the proceeds from the initial public offering.

Asset Retirement Obligation

In connection with the Company's U.S. DOT contract and related state contracts related to its sensor networks throughout various cities in the United States, the Company may be required under certain circumstances to remove the sensor network assets residing on governmental property. In accordance with FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, the Company recognizes the fair value of a liability for an asset retirement obligation (ARO) for each city in the period in which the related asset is placed in service. The Company capitalizes that cost as part of the carrying amount of the sensor network, which is depreciated on a straight-line basis over the useful life of the corresponding asset of 15 years. The ARO is recorded at fair value, and accretion expense will be recognized over time and charged to interest expense as the discounted liability is accreted to its expected settlement value.

The fair value of the ARO is measured using expected future cash outflows discounted at the Company's credit-adjusted risk-free interest rate. At December 31, 2005, the Company has an asset retirement obligation, including accretion, classified in long-term liabilities of \$0.7 million and an increase to existing capitalized assets of \$0.6 million.

Redeemable Convertible Preferred Stock

The Series E and Series F Redeemable Convertible Preferred Stock is recorded at its redemption value which is the purchase price. The Series E-1 Redeemable Convertible Preferred Stock is recorded at the fair value at the time of the time of issuance and is being accreted to its redemption value by the first redemption date in September 2010.

Advertising Expenses

Advertising expenses, which consist predominantly of radio and television commercials and online campaigns such as search engine marketing, as well as industry trade shows, and public relations, are expensed as incurred. These expenses were \$0.4 million, \$0.1 million, and \$2.2 million for the years ended December 31, 2003, 2004, and 2005, respectively.

Leases

Landlord allowances and incentives, if any, are recorded as deferred rent. These amounts are amortized as a reduction of rent expense over the initial term of the lease, commencing with the date

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of possession. Certain leases provide for predetermined escalations in future minimum annual rentals. The prorated portion of future minimum rent escalations are recorded as deferred rent and are included in other accrued expenses in the accompanying consolidated balance sheets.

Income Taxes

The Company accounts for income taxes in accordance with the liability method, which requires the establishment of a deferred tax asset or liability to reflect the net tax effects of temporary differences between tax carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax expense or benefit is recognized as a result of the change in the deferred asset or liability during the year. If necessary, the Company will establish a valuation allowance to reduce any deferred tax asset to an amount which will, more likely than not, be realized.

Comprehensive Net Income (Loss)

There were no differences between net loss and comprehensive net loss for the years ended December 31, 2003, 2004, and 2005.

Reverse Stock Split

In October 2005, the Company's board of directors approved a one-for-three reverse stock split of common stock to be effected prior to the effective date of the Company's Registration Statement for its initial public offering of common stock. The reverse stock split was approved by the stockholders in January 2006. In connection with the reverse stock split, the par value of the Company's common stock was adjusted to remain at \$0.01. The accompanying consolidated financial statements give retroactive effect as though the one-for-three reverse split of the Company's common stock occurred for all periods presented.

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Traffic.com, Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Basic and Diluted Net Loss Attributable to Common Stockholders per Common Share**

Basic net loss attributable to common stockholders per common share excludes dilution for potential common stock issuances and is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted net loss attributable to common stockholders per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net loss attributable to common stockholders per common share and pro forma loss attributable to common stockholders per common share (*in thousands, except per share amounts*):

	Year ended December 31		
	2003	2004	2005
Basic net loss per share			
Numerator:			
Net loss	\$ (21,079)	\$ (15,984)	\$ (43,142)
Redemption and accretion of redeemable convertible preferred stock	34,824	(2,128)	(2,037)
Numerator for per share calculation basic and diluted	\$ 13,745	\$ (18,112)	\$ (45,179)
Denominator:			
Weighted-average common shares outstanding	2,671	3,081	3,512
Less: Weighted-average unvested common stock subject to repurchase agreements		(17)	(38)
Denominator for per share calculation basic	2,671	3,064	3,474
Net income (loss) attributed to common stockholders per share basic	\$ 5.15	\$ (5.91)	\$ (13.00)
Dilutive effect of:			
Conversion of preferred stock and accrued dividends payable into common stock	6,805		
Warrants to purchase common stock	16		
Denominator for per share calculation diluted	9,492	3,064	3,474
Net income (loss) attributed to common stockholders per share diluted	\$ 1.45	\$ (5.91)	\$ (13.00)

The following table shows stock equivalents that were not considered in the computation of the diluted net loss attributable to common stockholders per common share for the years ended December 31, 2003, 2004, and 2005 as their effect is anti-dilutive:

	December 31		
	2003	2004	2005
Shares of preferred stock (on an as converted basis)		7,561,623	9,242,312
Stock options	2,028,339	1,886,597	2,000,478
Warrants	1,279,139	1,339,138	1,669,570

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Notes to Consolidated Financial Statements

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of their short maturities. The carrying amounts of the Company's debt approximate fair value of these obligations based upon management's best estimate of interest rates that would be available for similar debt obligations at December 31, 2003, 2004, and 2005. The fair value of the Company's redeemable convertible preferred stock is not practicable to determine as no quoted market price exists for the redeemable convertible preferred stock nor have there been any recent transactions in the Company's issued redeemable convertible preferred stock.

Stock-Based Compensation

Accounting for Stock-Based Awards to Employees

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, and complies with the disclosure provisions of SFAS, No. 123, *Accounting for Stock-Based Compensation*, as modified by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure, an amendment of SFAS No. 123*. Currently, the Company is not required to record stock-based compensation charges if the employee stock option exercise price or restricted stock purchase price equals or exceeds the deemed fair value of its common stock at the grant date.

The Company typically has granted stock options at exercise prices equal to the value of the underlying stock as determined by its board of directors on the date of option grant. For purposes of financial accounting, the Company has applied hindsight within each year or quarter to arrive at reassessed values for the shares underlying these options. Prior to the filing of its registration statement, the Company utilized two measures of value of its common stock in accounting for equity compensation relating to its compensatory equity grants:

- The board-determined value, which is the per share value of the Company's common stock determined by its board of directors at the time the board made an equity grant, taking into account several factors, including the Company's operating performance, anticipated future operating results, the terms of redeemable convertible preferred stock issued by it, including the liquidation value and other preferences of its preferred stockholders, as well as the valuations of other companies.
- The reassessed value, which is the per share value of the Company's common stock determined by it in hindsight solely for the purpose of financial accounting for employee stock-based compensation. The Company has used the Current-Value Method outlined in the American Institute of Certified Public Accountants (AICPA) practice aid entitled *Valuation of Privately-Held Company Equity Securities Issued as Compensation* published in 2004 by AICPA in performing these valuations.

The Company has recorded deferred stock-based compensation to the extent that the reassessed value of the stock at the date of grant exceeded the exercise price of the option.

For the period from July 2003 through March 2005, the Company's board of directors granted options at an exercise price of \$0.75 per share. This determination was based on a number of factors that were detailed in an internal valuation carried out in July 2003. The valuation resulted in a common share value of \$0.36, but the Company's board decided at that time to use the higher exercise price of

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Notes to Consolidated Financial Statements

\$0.75 in order to take a conservative position with respect to option pricing. In deriving the valuation, the Company used a multiple of 2.3 times our revenue derived from a review of peer companies. The resulting gross valuation for the invested capital was then netted against the value of our outstanding debt and the overall value of outstanding liquidation preferences of the redeemable convertible preferred stock to derive a net valuation for common equity, and the resulting valuation was divided by the outstanding common shares. The Company did not obtain a contemporaneous valuation by an unrelated valuation specialist as its board of directors believed that, because of the early stage of its business, traditional valuation approaches used by independent valuation firms, such as an income approach, would not be relevant and would not be worth the cost.

Unlike the Company's business today, which has higher revenues, several revenue streams, contracts with a number of large customers, and products that support Internet and wireless initiatives, during the period from July 2003 through March 2005, the Company relied almost completely on its radio and TV advertising business and, towards the end of 2004, had a growing liquidity problem.

Between July 2003 and March 2005, the Company continued to review the valuation of its business using these same metrics. During this time, however, the Company did not achieve the revenues it had anticipated, and determined that, given its own internal valuation of its business arriving at a \$0.36 common share value, the exercise price of new option grants should be no more than the \$0.75 per share valuation it had assessed in July 2003. Towards the end of 2004 and as the Company entered 2005, it was clear that it had a limited level of liquidity, and prior to the renegotiation of its senior secured credit facility in April 2005, the Company determined that there was no basis to increase the valuation of the Company for common stock valuation purposes. In light of its decreasing liquidity, in order to induce the Company's lender to extend an additional \$10.0 million under its senior secured credit facility, certain of the Company's stockholders agreed to enter into a guarantee agreement, under which they each severally agreed to guarantee repayment of the credit line up to an aggregate of \$10.0 million under certain circumstances. As a further condition to the extension of the additional \$10.0 million in credit, the guarantors entered into an equity commitment letter with the Company, whereby they agreed to purchase up to an aggregate of \$10.0 million of its Series F convertible preferred stock if the Company failed to comply with certain financial covenants in the senior secured credit facility. The negotiation of these transactions with its lender and the guarantors took several months to complete.

In May and June 2005, the Company's board of directors granted options to purchase a total of 169,956 shares of common stock at an exercise price of \$0.75 per share. The Company did not obtain a contemporaneous valuation of the common stock underlying the options granted in this period, relying on the continued standard practice it had employed from March 2003, but it was agreed in June 2005 to carry out a detailed valuation of the business and of common stock options. As a result, early in the third quarter 2005, the Company reassessed the value of its common stock as of May 31, 2005 using a discounted cash flow analysis as the income-based methodology to determine the fair value of its invested capital as of that date, defined as the sum of our common stock plus senior securities, less cash and cash equivalents. Based upon its calculations, the Company derived a weighted-average cost of capital of 28%, thereby deriving a market value of invested capital, and subsequently a market value of our common stock. A discount related to the lack of marketability of 22.6% was estimated based on the theoretical cost of utilizing a series of put options to lock in the price of its common stock during an estimated holding period. This was completed by applying a Black-Scholes option pricing model. These calculations resulted in a fair value of the Company's common stock of \$4.92 per share, as of April 22, 2005, the date on which its renegotiated senior

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Notes to Consolidated Financial Statements

secured credit facility and \$10.0 million equity guarantee were completed. This valuation was used through the end of the second quarter of 2005 and into the third quarter.

Also early in the third quarter 2005, the Company reviewed and reconfirmed that the stock value was \$0.36 for the purposes of recording a weighted-average reassessed value of underlying stock for those options granted between July 2003 and March 2005.

Subsequent to June 2005, the Company continued to achieve key milestones:

- In July 2005, the Company introduced its new website, which provides a means to derive revenue from Internet and consumer wireless advertising as well as a means to market its brand. The Company also agreed to proceed with a public offering process and engaged WR Hambrecht as the lead underwriter. In addition, the Company signed a contract with Comcast Cable to provide its traffic incident, event and flow data to Comcast for use on its website;
- In August 2005, legislation became effective that reauthorized the Company's federal contract, ensuring that the Company has the continuing ability to build out its sensor networks in order to collect traffic data in an aggregate of 27 metropolitan areas. In addition the Company obtained irrevocable, binding commitments from investors to complete its Series F convertible preferred stock financing for \$15.1 million;
- In September 2005, the Company launched its brand marketing campaign in four of the largest cities in the United States, signed contracts with three advertising networks targeted at Internet advertising, hired its first three dedicated sales people for its Internet advertising business, saw strong growth in visitors to our website, and closed its Series F convertible preferred stock financing.

Due to this continued development of its business, the Company again reassessed the value of its common stock in August 2005, using the same discounted cash flow model that it had used as of May 31, 2005, but updating it to reflect the achievements and growth of its business. In particular, the Company recalculated the weighted-average cost of capital to 25% from 28%, and adjusted the discount rate related to the lack of marketability to 19.6% from 22.6%. These changes resulted in an adjustment in the fair value of the Company's common stock to be approximately the mid-point of the estimated price range for the initial public offering contemplated by the Company.

In October 2005, based on the Company's reassessment of the value of its common stock, the Company offered to the employees who were granted options in May and June 2005 the ability to amend the terms of their options to increase the exercise price from \$0.75 to \$4.92 per share. All of these employees have now chosen to amend their stock options to a higher exercise price in order to avoid adverse income tax consequences under recently-adopted Section 409A of the Internal Revenue Code, which was effective January 1, 2005.

In relation to these amended options, the Company recorded \$1.1 million of unearned compensation in the fourth quarter of 2005 equal to the difference between the amended \$4.92 exercise price per share and \$11.50 per share, which was the estimated fair value of the common stock on the date of the modification. The unearned compensation is being amortized into compensation expense over the options' remaining vesting period.

Traffic.com, Inc.**Notes to Consolidated Financial Statements**

The table below shows the computation of deferred stock-based compensation amounts arising from unvested stock options granted to employees for each of the three month periods set forth below:

	Three months ended			
	Mar 31, 2005	Jun 30, 2005	Sep 30, 2005	Dec 31, 2005
Options granted to employees	26,297	169,956		\$
Weighted-average exercise price	\$ 0.75	\$ 0.75	n/a	\$ 4.92
Weighted-average reassessed value of underlying stock per option granted	\$ 0.36	\$ 4.92	n/a	\$ 11.50
Weighted-average reassessed deferred stock-based compensation per option granted	\$	\$ 4.17	n/a	\$ 6.58
Deferred stock-based compensation	\$	\$ 709,000	\$	\$ 1,118,000

The Company recognizes compensation expense as it amortizes the deferred stock-based compensation amounts on a straight line basis over the related vesting periods. Reassessed values are inherently uncertain and highly subjective. If the Company had made different assumptions, its deferred stock-based compensation amount, stock-based compensation expense, net loss and net loss per share amounts could have been significantly different.

The Minimum Value option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options. The weighted-average fair value of options granted during 2003, 2004, and 2005 was \$0.42, \$0.18, and \$3.78 per share, respectively.

Accounting for Stock-Based Awards to Non-Employees

The Company measures the fair value of options to purchase its common stock granted to non-employees throughout the vesting period as they are earned, at which time it recognizes a charge to stock-based compensation. The fair value is determined using the Black-Scholes option-pricing model, which considers the exercise price relative to the reassessed value of the underlying stock, the risk-free interest rate and the dividend yield. As discussed above, the reassessed value of the underlying stock were based on assumptions of matters that are inherently highly uncertain and subjective. As there has been no public market for the Company's stock for all periods presented, our assumptions about stock-price volatility are based on the volatility rates of comparable publicly-held companies. These rates may or may not reflect the Company's stock-price volatility after it has been a publicly-held company for a meaningful period of time. If the Company had made different assumptions about the reassessed value of its stock or stock-price volatility rates, the related stock-based compensation expense and its net income and net income per share amounts could have been significantly different.

Traffic.com, Inc.**Notes to Consolidated Financial Statements***Intrinsic Value of Outstanding Options*

The following table shows the intrinsic value of the Company's outstanding vested and unvested options as of December 31, 2005 based upon an \$11.50 per share common stock price, which was the fair value as of that date:

	Number of Shares Underlying Options	Intrinsic Value (In Thousands)
Total vested options outstanding	1,217,493	\$ 10,802
Total unvested options outstanding	782,985	7,333
Total options outstanding	2,000,478	18,135

The following table illustrates the effect on net loss attributable to common stockholders if the Company had applied the fair value recognition provisions of SFAS No. 123 (*in thousands, except per share amounts*):

	Year ended December 31		
	2003	2004	2005
Net income (loss) attributable to common stockholders:			
As reported	\$ 13,745	\$ (18,112)	\$ (45,179)
SFAS No. 123 pro forma	\$ 13,448	\$ (18,327)	\$ (45,388)
Basic as reported	\$ 5.15	\$ (5.91)	\$ (13.00)
Diluted as reported	\$ 1.45	\$ (5.91)	\$ (13.00)
Basic pro forma	\$ 5.03	\$ (5.98)	\$ (13.07)
Diluted pro forma	\$ 1.42	\$ (5.98)	\$ (13.07)

Segment Information

The Company currently operates in one business segment; the accumulation and dissemination of traffic data across multiple delivery applications and services, including radio, television, the Internet, wireless devices and in-vehicle navigation systems. The Company is not organized by market and is managed and operated as one business. A single management team that reports to the chief executive officer comprehensively manages the entire business. The Company does not operate any material separate lines of business or separate business entities with respect to its products or product development. Accordingly, the Company does not accumulate discrete financial information with respect to separate product lines and does not have separately reportable segments as defined by SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*.

Recent Accounting Pronouncements

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47). FIN 47 clarifies that an entity must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. The adoption of FIN 47 did not have a material effect on the Company's financial condition or results of operations.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, *Accounting Changes and Error Corrections* a replacement of APB Opinion No. 20 and FASB Statement No. 3, referred to as SFAS No. 154, which replaces APB Opinion No. 20, *Accounting*

Traffic.com, Inc.**Notes to Consolidated Financial Statements**

Changes, and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principles. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. It does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of SFAS No. 154. The Company does not believe the adoption of SFAS No. 154 will materially impact the Company's consolidated financial statements.

In December 2004, the Financial Accounting Standards Board (FASB) issued statement No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)), which is a revision of Statement No. 123, *Accounting for Stock-Based Compensation*. SFAS 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No. 95, *Statement of Cash Flows*.

SFAS 123(R) requires all share-based payments to employees, including grants of stock options, to be recognized in the financial statements based on their fair values. Under SFAS 123(R), pro forma disclosure is no longer an alternative to financial statement recognition for stock option awards made after the Company's adoption of SFAS 123(R). The Company will adopt SFAS 123(R) on January 1, 2006.

Prior to August 30, 2005, (the date that the Company filed a Form S-1 with the Securities and Exchange Commission), the Company used the minimum value method to calculate the pro forma disclosure required by SFAS No. 123. When the Company adopts SFAS 123(R) on January 1, 2006, the Company will continue to account for the portion of awards outstanding prior to August 30, 2005 using the provision of APB Opinion No. 25 and its related interpretative guidance.

For awards issued on or after August 30, 2005, and for awards modified, repurchased or canceled on or after that date, the Company will use an option pricing model other than the minimum value method to calculate the pro forma disclosures required by SFAS No. 123. When the Company adopts SFAS 123(R) on January 1, 2006, the Company will begin recognizing the expense associated with these awards in the income statement over the award's vesting period using the modified prospective method. Because the amount, terms and fair values of awards to be issued in the future are uncertain, the impact of the adoption of SFAS 123(R) on the Company's financial statements is not known at this time; however, the Company expects to incur in excess of \$1.2 million in stock based compensation expense during 2006.

3. Interest Income (Expense), Net

	Year ended December 31		
	2003	2004	2005
	(In Thousands)		
Interest income	\$ 173	\$ 75	\$ 247
Amortization of deferred financing fees	(2,222)	(3,330)	(619)
Retroactive adjustments to accrued interest under the Senior Secured Credit facility due to amendments	4,379	3,753	(688)
Accretion of the asset retirement obligation			(48)
Interest expense	(6,481)	(3,926)	(4,501)
Interest income (expense), net	\$ (4,151)	\$ (3,428)	\$ (5,609)

Traffic.com, Inc.**Notes to Consolidated Financial Statements****4. Property and Equipment**

Property and equipment consist of the following (in thousands):

	December 31		
	2004	2005	Useful Life
Digital sensor network	\$ 8,869	\$ 13,792	15 years
Computer hardware and software	6,422	8,981	3 years
Leasehold improvements	1,125	1,524	Lease term
Equipment and office furniture	2,332	3,406	3 years
Vehicles	380	397	3 years
Construction in progress	5,511	7,822	
	24,639	35,922	
Accumulated depreciation	9,754	12,106	
Property and equipment, net	\$ 14,885	\$ 23,816	

Depreciation expense related to the above assets was \$2.2 million, \$1.6 million, and \$2.4 million for 2003, 2004, and 2005, respectively

Depreciation expense related to the digital sensor network was \$0.7 million for 2003 and 2004, and \$1.0 million in 2005.

5. Equity Commitment

In April 2005, as part of additional financing terms of the senior secured lenders, certain Series E investors in the Company signed an Investor Guaranty Agreement to provide up to \$10.0 million of equity financing in the Company's future issuance of Series F preferred stock. The terms of the equity commitment were fulfilled upon the funding of the Series F financing round in September 2005.

6. Debt**Senior Secured Credit Facility**

In March 2002, the Company received funding on a \$20.0 million credit facility which resulted in proceeds, after related fees, of \$18.8 million. The facility is collateralized by all of the assets of the Company; however, the facility does allow for the accounts receivable of the Company to be used as collateral in connection with cash management arrangements.

In April 2003, the Company amended the credit facility. Approximately \$1.4 million of the principal and accrued interest under the credit facility was converted into shares of Series E preferred stock.

As a result of the April 2003 amendment, \$1.2 million of unamortized costs deferred at the inception of the facility were amortized in 2003. The April 2003 amendment reduced the credit facility's internal rate of return to rates escalating each quarter from 22.13% at June 30, 2003 to 26.78% at March 31, 2006. This interest rate reduction was retroactive to the inception of the facility in April 2002 and resulted in a cumulative adjustment to interest expense of \$4.4 million. The Company is required to make quarterly interest payments of \$0.3 million.

In connection with the April 2003 amendment to the senior secured credit facility, the Company issued a warrant to purchase 1,840,094 shares of Series E preferred stock to the lender at an exercise price of \$0.01 per share. The value assigned to these warrants using a fair value pricing model was

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Notes to Consolidated Financial Statements

\$3.7 million which was recorded as deferred financing fees, and was being amortized over the life of the credit facility. The warrant was exercised in December 2003.

In April 2004, the Company further amended certain terms of its credit facility. The amendment removed the escalating borrowing rates provisions of the agreement in favor of a defined borrowing rate of 15%, lowered its minimum cash balance requirement from \$3.6 million to \$3.0 million, and established a three-month trailing net loss covenant. This interest rate reduction was retroactive to the inception of the facility in April 2002 and resulted in a cumulative adjustment to interest expense of \$3.8 million. In addition, the Intelligent Transportation System, or digital sensor network, contract covenant was amended, and now requires the Company to have contracts to build out its Intelligent Transportation Systems network in 17 cities in March 2006, and 19 cities in March 2007.

In April 2005, the Company again amended its senior secured credit facility and received additional funding which resulted in proceeds, after related fees, of \$9.7 million. The amendment reduced the minimum cash balance covenant to \$2.5 million, reset the trailing three-month net loss covenants, and extended the maturity of the facility to March 2008.

There are no principal payments due under the senior secured credit facility until maturity in March 2008. If held to maturity, the repayment of principal and unpaid accrued interest would be \$47.9 million.

As of December 31, 2005, the Company was in compliance with all debt covenants.

In January 2006, the Company repaid the principal and all accrued interest under this facility with a portion of the proceeds from the initial public offering.

Revolving Credit Facility

In December 2003, the Company established a revolving credit facility with a financial institution. The facility had an initial commitment of \$6.5 million, which could be expanded to \$8.0 million upon the Company reporting a positive net income for six consecutive months. Borrowings bear interest at the bank's prime rate plus 1.5% (6.75% and 7.75% at December 31, 2004 and June 30, 2005, respectively). The facility had a 1-year term.

The Company's borrowings are subject to a 60% advance rate against a defined borrowing base. The facility contains a 3-month trailing net loss covenant and a minimum cash balance requirement of \$3.6 million.

In July 2004, the Company amended its revolving credit facility. The commitment was increased to \$7.5 million and the borrowing base advance rate was increased to 70%. The commitment was later increased to \$8.5 million based on the achievement of an operating milestone. The July 2004 amendment allows for the commitment to be further increased to \$10.0 million upon the achievement of two consecutive months of positive EBITDA (as defined).

In April 2005, following a series of extensions, the Company renewed its revolving credit facility through March 7, 2006. The minimum cash balance covenant was decreased from \$3.6 million to \$2.5 million and the trailing three-month net loss covenant was reset. In addition, as part of the amendment to the senior secured credit facility, the available commitment was reduced to \$6.0 million pending the funding of the first tranche of the equity commitment guarantee of \$5.0 million at which time the commitment will increase to \$7.0 million. After the Company receives funding of the second tranche of the equity commitment guarantee of \$5.0 million, the revolving credit facility will increase to

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\$8.5 million. The equity commitment was fulfilled in September 2005 upon the closing of the Series F financing.

In August 2005 the Company amended the revolving credit facility to increase the advance rate of eligible accounts receivable to 80%.

At December 31, 2004 and December 31, 2005, the Company had collateral to support \$3.9 million and \$7.6 million in borrowings under the revolving credit facility, respectively.

As of December 31, 2005, the Company was in compliance with all debt covenants.

In February 2006, the Company repaid the outstanding amount this facility. In March 2006, the revolving credit facility terminated upon its terms.

7. License Agreement

The Company had a License Agreement (the Agreement) with a technology development corporation, which was a wholly-owned subsidiary of our senior secured lender that resulted in proceeds of \$11.0 million. Under the Agreement, the Company transferred all existing and new Developed Technology and Intellectual Property (IP) rights; however, the Company maintained the ability to repurchase said rights at any time, for \$11.0 million less any royalty payments made through the date of purchase. The Company was granted an exclusive license to use the IP rights in exchange for a quarterly royalty payment. Such payments, which would not exceed \$0.3 million in a given quarter, would equal a percentage (which ranges from 1% to 5% during the Agreement) of the net revenue that resulted from the use of the IP. The Company accounted for the Agreement as a research and development agreement and recognized revenue based on the completion of new Developed Technology as defined in the statement of work within the Agreement.

In April 2003, the Company and the technology development corporation agreed to terminate the Agreement. In exchange for a payment of \$10.0 million and the issuance of \$0.4 million in debt (which represented the value of the Agreement less interim royalty payments), the rights to the Company's Developed Technology and Intellectual Property reverted to the Company's control and sole use.

8. Data Acquisition Agreement

In April 2004, the Company entered into a multi-year Data Acquisition Agreement with a digital navigation company. Under the terms of the Data Acquisition Agreement, the Company granted a non-exclusive data license for its traffic incident and flow data to the licensor. In exchange, the Company received a license fee payment of approximately \$9.0 million during 2004 and an additional \$0.9 million during the nine month period ended September 30, 2005. The license fee payment was recorded as deferred license fees and is being earned in current and future periods through either a minimum annual fee or a per subscriber fee for certain navigation applications that include the Company's traffic data, whichever is greater. The Company recognized \$0.3 million and \$0.4 million in data license revenue in 2004 and 2005, respectively, associated with the Data Acquisition Agreement. Upon expiration (if the agreement is not renewed), up to \$1.9 million of any remaining license fee payment that has not been earned through minimum annual fees and subscriber fees may, at our option, be repaid quarterly over three years at an interest rate of prime plus 1%.

Traffic.com, Inc.

Notes to Consolidated Financial Statements

9. Income Taxes

For the years ended December 31, 2003, 2004, and 2005 there were no provisions for income taxes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income taxes are as follows:

	2004	2005
Deferred tax assets:		
Net operating loss carryforwards	\$ 34,125	\$ 42,761
Accrued compensation and benefits	133	201
Deferred revenue	6,439	12,232
Allowance for doubtful accounts	333	272
Other liabilities	112	132
Total deferred tax assets	41,142	55,598
Deferred tax liabilities:		
Depreciation and amortization	4,179	6,639
Net deferred tax asset	36,963	48,959
Valuation allowance	(36,963)	(48,959)
Net deferred asset	\$	\$

A reconciliation of the statutory United States statutory income tax rate to the effective income tax rate follows:

	2004	2005
Tax at statutory rate	(35.0)%	(35.0)%
Change in valuation allowance	35.0 %	35.0 %
Effective tax rate	0.0 %	0.0 %

As of December 31, 2005, the Company has net operating losses of approximately \$122.2 million for tax purposes which will be available to offset future taxable income. If not used, these carryforwards will expire between 2018 and 2025. The Company's state net operating loss carryforwards will also be subject to expiration over varying years. To the extent that net operating loss carryforwards, when realized, relate to non-qualified stock option deductions, the resulting benefits will be credited to stockholders' equity.

In the event that the Federal net operating loss is subject to Section 382 of the Internal Revenue Code the use of the net operating loss carryforward could be limited in any one year.

10. Redeemable Convertible Preferred Stock

As of December 31, 2005, the Company had authorized 30,419,811 shares of preferred stock at \$0.01 par value. The Board of Directors has the authority to issue shares and to fix voting privileges, dividend rates, conversion privileges, and any other rights of the preferred stock. The currently authorized shares of preferred stock are further designated as 18,000,000 shares of Series E redeemable convertible preferred stock (Series E preferred stock); 6,419,811 shares of Series E-1

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redeemable convertible preferred stock (Series E-1 preferred stock); and 6,000,000 shares of Series F redeemable convertible preferred stock (Series F preferred stock).

Each share of preferred stock is convertible into one third of a share of common stock at the option of the holder and converts automatically upon a qualified initial public offering of common stock as defined per the terms and conditions of the preferred stock purchase agreements. The conversion ratio is subject to change based on certain dilution events. The holders of the Series E, Series E-1, and Series F preferred stock, voting as a separate class, are entitled to elect three of the seven directors.

In March 2003, the Company entered into an agreement with a group of investors to sell 14,425,000 shares of Series E preferred stock. The sale resulted in proceeds to the Company of \$28.9 million, which included converted debt of \$1.4 million. As an inducement to participate in the Series E financing, the Company made available 6,419,811 shares of Series E-1 preferred stock to its existing holders of preferred stock. These shares were distributed to existing investors that participated in the Series E round (based on the percentage of their investment in the Series E round) in exchange for shares of Series A, B, C and D Preferred Stock. Based on a fair value for the Series E-1 convertible preferred stock of \$0.56 per share, the difference between the carrying value of the Series A through D convertible preferred stock (\$15.3 million) that has been derecognized and the fair value of the Series E-1 convertible preferred stock (\$3.6 million) that has been recognized, of \$11.7 million, has been recognized as an addition to net income to arrive at net income attributable to common stockholders in the accompanying statement of operations for the year ended December 31, 2003. The Company is recording an accretion adjustment in each accounting period subsequent to initial recognition of the Series E-1 preferred stock to reflect the return to the preferred stockholders.

As a result of the March 2003 Series E financing, 873,671 shares of Series A preferred stock were exchanged for 291,223 shares of common stock and 600,000 shares of Series A preferred stock warrants were exchanged for 40,000 common stock warrants. The 4,824,563 outstanding shares of Series B preferred stock were exchanged for 321,637 shares of common stock and 1,315,789 outstanding shares of Series C preferred stock were exchanged for 438,596 shares of common stock. The Company repurchased 2,595,585 shares of Series D preferred stock, which had a carrying value of \$34.8 million including cumulative dividends of \$5.6 million, for \$9.4 million. The \$25.4 million difference between the carrying value and repurchase amount was recognized as income in net income attributable to common stockholders in the accompanying statement of operations for the year ended December 31, 2003. In addition, 5,324 shares of Series D preferred stock were exchanged for 354 shares of common stock. Preferred stockholders of each series that did not participate in the Series E financing round were subject to conversion of their preferred stock to common stock at a conversion ratio ranging from 1 for 1 to 1 for 5.

In December 2003, warrants for 1,840,094 shares of Series E preferred stock were exercised by the Company's Senior Secured lender. Upon exercise of the warrants, the carrying value of \$3.7 million was reclassified to the redemption value of the Series E preferred stock.

In September 2005, the Company issued and sold 5,042,090 shares of Series F preferred stock at a price of \$3.00 per share for proceeds of \$15.1 million.

The Series E preferred stockholders receive noncumulative dividends at an annual rate of 8%, if declared. Each holder of the Series E preferred stock is entitled to one vote for each share of common stock into which such share of Series E preferred stock is convertible. The Series E preferred stock is redeemable by the holder in one-third increments on the fifth, sixth, and seventh anniversary of the first issuance of Series F preferred stock at an amount equal to the original purchase price (\$2.00 per

Traffic.com, Inc.

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share) plus any accrued but unpaid dividends. In the event of liquidation, after payment of the Series F liquidation preference, the Series E preferred stock is entitled to receive the greater of \$4.00 per share or the proceeds they would receive on an as converted basis into common stock.

The outstanding shares of preferred stock were converted into 9,242,312 shares of common stock in accordance with their terms.

11. Stockholders Deficit

The Series E-1 preferred stock receives noncumulative dividends at an annual rate of 8%, if declared. Each holder of the Series E-1 preferred stock is entitled to one vote for each share of common stock into which such share of Series E-1 preferred stock is convertible. The Series E-1 preferred stock is redeemable by the holder in one-third increments on the fifth, sixth, and seventh anniversary of the first issuance of Series F preferred stock at an amount equal to the original purchase price plus any accrued but unpaid dividends. In the event of liquidation, after payment of the Series F and Series E liquidation preference, the Series E-1 preferred stock is entitled to receive the greater of \$1.56 per share plus an annual 8% dividend, or the proceeds they would receive on an as converted basis into common stock.

The Series F preferred stockholders receive noncumulative dividends at an annual rate of 8%, if declared. Each holder of the Series F preferred stock is entitled to one vote for each share of common stock into which such share of Series F preferred stock is convertible. The Series F preferred stock is redeemable by the holder in one-third increments on the fifth, sixth, and seventh anniversary of the first issuance of the Series F preferred stock at an amount equal to the original purchase price (\$3.00 per share) plus any accrued but unpaid dividends. In the event of liquidation, the Series F preferred stockholders are entitled to receive the greater of \$4.00 per share or the proceeds they would receive on an as converted basis into common stock.

No dividends have been declared on any of the series of preferred stock. The preferred stock is redeemable in installments of \$21.8 million in September 2010, \$22.3 million in 2011, and \$22.8 million in 2012.

At the closing of the Company's initial public offering in January 2006, each share of preferred stock was converted into one third of a share of common stock. The outstanding shares of preferred stock were converted into 9,242,312 shares of common stock in accordance with their terms.

Common Stock

Holders of common stock, voting together with the holders of the Series E, Series E-1, and Series F preferred stock, are entitled to elect three of the seven directors of the Company.

Stock Options

Prior to January 2006, the Company had two stock option plans: the 1999 Long-term Incentive Plan (Incentive Plan) and the 1999 Nonemployees Stock Plan (Nonemployee Plan). The Incentive Plan provides for the issuance of options, stock appreciation rights, restricted stock, deferred stock, and other stock-based awards to officers and key employees of the Company. The Nonemployee Plan provides for the issuance of options, shares or deferred shares in lieu of fees, and restricted stock to nonemployee directors, advisors, and consultants. The Company originally reserved a total of 3,384,433 shares of common stock to be issued under the Incentive Plan and the Nonemployee Plan.

Traffic.com, Inc.**Notes to Consolidated Financial Statements**

In October 2005, the Company's board of directors approved the 2005 Long-Term Incentive Plan (the 2005 Plan), which was approved by the stockholders and became effective in January 2006. This plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units and other equity-based awards. No additional awards will be made under the Company's 1999 Long-Term Incentive Plan or the 1999 Non-Employee's Stock Plan (the 1999 plans) following the effective date of the 2005 Plan. Upon effectiveness, 1,750,000 shares of common stock became reserved for issuance under the 2005 Plan, as well as the shares remaining available for grants under the 1999 plans, which was 75,895 shares at December 31, 2005. In addition, the plan contains an evergreen provision which allows for an annual increase in the number of shares available for issuance under the plan on the first day of each of the Company's fiscal years beginning in fiscal year 2007. The annual increase in the number of shares shall be equal to the lesser of: (i) 350,000 shares; (ii) 1% of the Company's outstanding shares of common stock on the first day of the fiscal year; or (iii) an amount determined by the Company's board of directors.

The exercise price (as established by the Board) of stock options granted equals or exceeds the fair market value of the Company's common stock on the date of the grant. All stock options expire ten years from the grant date. Employee options granted to date vest over a four-year period, unless otherwise authorized by the Board. Options granted under both plans are exercisable as determined by the Board. The following table summarizes stock option activity for 2003, 2004, and 2005:

	Number of Shares	Weighted- Average Exercise Price
Outstanding at January 1, 2003	1,243,592	\$ 4.17
Granted	1,488,931	1.65
Exercised	(40,701)	2.16
Forfeited	(663,483)	2.52
Outstanding at December 31, 2003	2,028,339	2.91
Granted	742,186	0.75
Exercised	(461,500)	1.14
Forfeited	(422,428)	4.17
Outstanding at December 31, 2004	1,886,597	2.19
Granted	196,253	4.36
Exercised	(32,489)	1.36
Forfeited	(49,883)	1.77
Outstanding at December 31, 2005	2,000,478	\$ 2.43

The following table summarizes stock options vested and exercisable:

	Number of Shares	Weighted- Average Exercise Price
Exercisable at December 31, 2003	957,660	\$ 4.05
Exercisable at December 31, 2004	900,729	\$ 2.97
Exercisable at December 31, 2005	1,217,493	\$ 2.63

Traffic.com, Inc.**Notes to Consolidated Financial Statements**

The following table summarizes information about stock options outstanding at December 31, 2005:

Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life	Options Exercisable
\$0.75	1,099,082	7.34	585,613
\$1.50	146,038	4.43	146,038
\$3.99	171,599	4.38	171,599
\$4.50	314,390	7.14	215,164
\$4.92	169,956	9.41	
\$7.98	3,333	4.55	3,333
\$9.00	96,080	4.62	95,746
Total	2,000,478	6.88	1,217,493

For certain grants issued during the year ended December 31, 2005, the Company has determined that the fair value of the underlying common stock on the date of the grant was in excess of the exercise price of the options. As a result, the Company recorded deferred compensation on these stock options of approximately \$1.8 million as an increase in additional paid-in capital and is amortizing it as a charge to operations over the vesting periods of four years. The Company recognized \$0.1 million in stock compensation expense related to options issued to nonemployees for the year ended December 31, 2003. There were no such option grants to non-employees in 2004 or 2005.

Shares Reserved for Future Issuance

At December 31, 2005, the Company has reserved the following shares of common stock for issuance:

Common stock options outstanding	2,000,478
Common stock options available to grant	75,895
Common stock warrants	1,627,904
Series E redeemable convertible preferred stock and preferred stock warrants	5,463,357
Series E-1 redeemable convertible preferred stock	2,139,932
Series F redeemable convertible preferred stock	1,680,689
	12,988,255

Notes Receivable

Certain members of management have been allowed to participate in an executive loan program. Included in Notes receivable from stockholders are purchase money indebtedness notes issued in connection with the exercise of options granted under the Incentive Plan. Generally, the notes are with recourse and bear interest at a variable rate, which ranged from 3.62% to 6.25% at December 31, 2004 and 4.08% to 8.25% at December 31, 2005. During 2004, the Company issued a restricted stock purchase agreement for 432,214 shares of common stock to an executive of the Company in exchange for a non-recourse note in the amount of \$0.3 million bearing interest at 4%. This note and accrued interest thereon was repaid in August 2005. All of the notes are collateralized by the underlying shares and the Company has repurchase rights for any exercised but unvested shares. Such notes receivable were \$0.5 million and \$0.2 million at December 31, 2004, and 2005, respectively.

TRAFFIC.COM, INC.

Notes to Consolidated Financial Statements

12. Warrants to Purchase Common and Preferred Stock

	Warrants Outstanding at December 31 2004	Weighted- Average Exercise Price	Warrants Outstanding at December 31 2005	Weighted- Average Exercise Price
Warrant type:				
Common stock	1,297,472	\$ 1.73	1,627,904	\$ 1.38
Series E convertible preferred stock	125,000	2.00	125,000	\$ 2.00

Common Stock

Common stock warrants outstanding (fully vested) at December 31, 2005 were comprised of:

Issue Date	Amount	Exercise Price	Expiration Date
January 2001	10,000	\$ 24.00	January 2008
March 2001	13,333	\$ 33.81	March 2011
April 2002	41,666	\$ 15.75	April 2009
March 2003	650,071	\$ 0.75	March 2008
May 2003	78,737	\$ 0.75	May 2008
July 2003	396,666	\$ 0.75	July 2008
July 2003	38,333	\$ 0.03	July 2008
April 2005	332,432	\$ 0.03	April 2010
August 2005	66,666	\$ 0.75	March 2008
	1,627,904		

Warrants issued in 2005 were as follows:

As inducement for the April 2005 Investor Guaranty Agreement guarantee, the Company issued warrants to the investors to purchase 233,331 shares of common stock at a price of \$0.03 per share. Also in connection with the April 2005 amendment to the senior secured credit facility, the Company issued a warrant to purchase 116,666 shares of common stock at a price of \$0.03 per share. The warrants are fully vested and expire in April 2010. The value assigned to the April 2005 warrants was \$1.7 million which has been recorded as deferred financing fees, and is being amortized over the life of the credit facility. The fair value of the warrants was estimated at the date of the issuance using the Black-Scholes option-pricing model assuming a risk-free interest rate of 3.9%, dividend yield of 0%, volatility of 65%, and expected life of the warrants of 5 years. In August 2005, 17,565 of these warrants were exercised.

In August 2005 the Company issued 66,666 fully-vested, nonforfeitable common stock warrants at an exercise price of \$0.75 per share to settle a dispute with an investor concerning the conversion of its Series A preferred stock warrant and canceled its previously issued warrant to purchase 20,000 shares of common stock. The warrants expire in March 2008. The value assigned to the warrant was \$0.8 million which was recognized as a legal settlement expense in the second quarter of 2005 when the contingency was settled in principle. The fair value of the warrants was estimated at the date of the issuance using the Black-Scholes option-pricing model assuming a risk-free interest rate of 3.9%, dividend yield of 0%, volatility of 65%, and expected life of the warrants of 3 years.

TRAFFIC.COM, INC.**Notes to Consolidated Financial Statements****Preferred Stock**

In connection with the December 2003 amendment to the revolving credit facility, the Company issued a warrant to purchase 100,000 shares of Series E preferred stock at a price of \$2.00 per share in connection with the revolving credit facility. The warrants expire in December 2008. The fair value of these warrants was not material.

In connection with the July 2004 amendment to the revolving credit facility, the Company issued a warrant to purchase 25,000 shares of Series E preferred stock at a price of \$2.00 per share in connection with the amendment. The warrants expire in July 2009. The fair value of these warrants was not material.

13. Commitments and Contingencies**Leases**

The Company leases office space for its corporate headquarters as well as offices for its sales and operations activities in multiple markets across the United States. The leases terminate at various dates through April 2011 and generally provide for scheduled rent increases. Rental expense for all operating leases approximated \$1.8 million, \$1.9 million, and \$2.0 million in 2003, 2004, and 2005, respectively.

Our principal executive offices are located in Wayne, Pennsylvania, where we lease approximately 34,600 square feet under a lease that expires in October 31, 2010. These offices are used for sales and marketing, back office processing, business development, storage of our equipment and technology, radio and television production and general corporate and finance activities.

The Company leases office space under noncancelable operating lease agreements. The leases generally provide for scheduled rent increases. Future minimum lease payments under noncancelable operating leases as of December 31, 2005, are as follows:

2006	\$ 1,916
2007	1,762
2008	1,763
2009	1,576
2010	1,233
Thereafter	44
	\$ 8,294

Media Inventory

The Company contracts with various television and radio stations for the barter of advertising inventory for services, which may include cash payments. The contracts expire at various dates through January 2009. Expenses under these arrangements were \$11.1 million, \$11.2 million, and \$12.0 million for 2003, 2004, and 2005, respectively.

TRAFFIC.COM, INC.**Notes to Consolidated Financial Statements**

Future minimum payments for media inventory under agreements with radio and television affiliates for the purchase of advertising inventory with noncancelable terms as of December 31, 2005 are as follows:

2006	\$ 8,628
2007	4,099
2008	1,198
2009	56
2010 and thereafter	\$ 13,981

Legal Proceedings***Santa Fe Technologies v. Argus Networks, Inc.***

On July 28, 1999, Santa Fe Technologies, Inc. (SFT), a traffic-sensor installation company, filed a complaint in a New Mexico state court against the Company and others, including certain of the Company's officers, directors and TL Ventures LLC, whose successor, TL Ventures L.P., is affiliated with certain of our investors. The complaint sought compensatory and punitive damages. The complaint related to a proposed merger between SFT and the Company which had been proposed in contemplation of its participation as a subcontractor in a team proposal in response to a federal contract solicitation. In its complaint, SFT alleged that the Company and the other defendants conspired to and did misappropriate or misuse SFT's corporate opportunity, confidential information and work product, and committed conversion of SFT's intellectual property and contributions in order to win the award of the federal contract.

During the pre-trial phase of the case and the course of the trial, except for three causes of action against the Company and two causes of action against the investor affiliate, all of the causes of action against all of the defendants were dismissed. The remaining claims consisted of a claim against the Company for breach of a claimed fiduciary duty not to use information or work product shared in confidence, a related civil conspiracy claim against the Company and the investor affiliate and a claim against the Company and the investor affiliate for unjust enrichment. The district court submitted the fiduciary duty claim (and the related conspiracy claim) to the jury for determination and decided the unjust enrichment claim itself. In June 2005, the fiduciary duty and conspiracy claims were tried before a jury. In late June 2005, the jury returned a verdict against the Company on the breach of fiduciary duty claim and the related conspiracy claim and against the investor affiliate on the conspiracy claim finding, that the Company and the investor affiliate are jointly and severally liable to plaintiff for \$6.2 million in compensatory damages, assessing \$5.0 million in punitive damages against the Company and assessing punitive damages against the investor affiliate. The district court subsequently rejected the plaintiff's unjust enrichment claim. On August 19, 2005, the district court entered judgment against the Company on the breach of fiduciary duty and conspiracy claims and against the investor affiliate on the conspiracy claim. In late September 2005, the district court rejected the Company's motion to set aside the verdict. On October 13, 2005, final judgment was entered against the Company and the investor affiliate. On November 17, 2005, the Company, Santa Fe Technologies, Inc. and TL Ventures L.P. entered into a settlement agreement with respect to the litigation. Under this agreement, the Company and TL Ventures L.P. agreed to pay to SFT an aggregate of \$14.25 million in settlement of the litigation, one-half to be paid within 30 days of the date of the settlement agreement and the other half to be paid within 60 days of the date of the settlement agreement. Upon receipt of the full settlement amount, SFT has agreed to execute a general release

TRAFFIC.COM, INC.

Notes to Consolidated Financial Statements

of the Company and TL Ventures L.P. and all of our respective officers, directors, agents, employees, limited partners, general partners, members and affiliates and to dismiss the litigation. Also on November 17, 2005, the Company entered into an agreement with TL Ventures L.P. specifying that each party will pay one-half of the settlement amount, or \$7.125 million. TL Ventures L.P. made the first settlement payment to SFT in December 2005 and the Company made the second settlement payment to SFT in January 2006. In accordance with the SEC Staff Accounting Bulletin Topic 5T, *Accounting for Expense or Liabilities Paid by Principal Stockholder(s)*, the Company has recognized the full value of the settlement of \$14.25 million in its statement of operations in legal settlements expense in the quarter ended September 30, 2005 and has treated the amounts paid by the principal stockholder (\$7.125 million) as a capital contribution. Accordingly, the liability related to the settlement of this contingency recorded in the Company's balance sheet at December 31, 2005 is the \$7.125 million paid in January 2006.

Traffic.com, Inc. v. Internet Capital Group, Inc. et al.

On June 29, 2005, the Company filed a complaint in the Chester County Pennsylvania Court of Common Pleas seeking a declaratory judgment against Internet Capital Group, Inc., ICG Holdings, Inc. and related entities, or ICG, that the conversion of ICG's Series B convertible preferred stock to common stock on a one-for-five basis (from approximately 5 million shares of Series B preferred stock to approximately 1 million shares of common stock), in connection with the Company's Series E preferred stock financing in March 2003, is valid and that ICG is not entitled to any additional ownership stake in the Company or any other payments or damages in connection with the Series E preferred stock financing or related matters. On July 26, 2005, ICG filed preliminary objections to the Company's complaint for declaratory judgment which, under Pennsylvania practice, is equivalent to a motion to dismiss our complaint. On October 28, 2005, the Company and ICG entered into a settlement with respect to the litigation. Under this agreement, in exchange for mutual releases and an agreement to dismiss the litigation, the Company issued to ICG 300,562 shares of common stock and agreed to allow ICG to grant to the underwriters in this offering the right to a specified number shares of the Company's common stock owned by ICG, within 30 days after the date of this prospectus, to cover any over-allotments. As a result of this settlement, the Company recognized an expense in the second quarter of 2005 of \$3.5 million in legal settlements expenses.

Pennsylvania Early Stage Partners, L.P.

On April 22, 1999, the Company issued to Pennsylvania Early Stage Partners, L.P. (PAES) a warrant to purchase 300,000 shares of the Company's Series A preferred stock at an exercise price of \$1.00 per share. Since May 2004, PAES asserted that it remained entitled to purchase 100,000 shares of common stock, notwithstanding the one-for-five recapitalization of the Company in connection with the Series E and E-1 preferred stock financing on March 31, 2003. Following over a year of disagreement and negotiations, on August 24, 2005, the Company and PAES entered into a settlement agreement pursuant to which PAES' original warrant was terminated and exchanged for a warrant to purchase 66,666 shares of common stock at an exercise price of \$0.75 per share, the price at which similar warrants were issued at the time of the recapitalization, and both parties signed mutual releases. As a result of this settlement, the Company recognized an expense in the second quarter of 2005 of \$0.8 million in legal settlements expenses.

TRAFFIC.COM, INC.**Notes to Consolidated Financial Statements*****Other Legal Proceedings***

The Company is also subject to various other lawsuits and claims with respect to matters arising out of the normal course of business. While the impact on future financial results for these other lawsuits and claims is not subject to reasonable estimation because considerable uncertainty exists, management believes, after consulting with counsel, that the ultimate liabilities resulting from such other lawsuits and claims will not materially affect the results of operations or financial position of the Company.

14. Related Party Transactions

The Company has entered into an employment agreement with its chief executive officer that provides for a bonus of 3% of the total gross proceeds of any transaction should such transaction result in the transfer of greater than 50% of the outstanding voting power of the Company.

Additionally, the Company has employment agreements with two former executives that provide, in the aggregate, a combined bonus of 3.7% of the net proceeds of any transaction should such transaction result in the transfer of greater than 50% of the outstanding voting power of the Company. These agreements expire in June 2006 and January 2007.

In addition to the notes to executives described in Note 11, included in other current assets are notes receivable from certain members of management for loans made in connection with the alternative minimum tax burden incurred by the individuals as a result of the exercise of the options described in Note 11. Such notes receivable, together with accrued interest, were \$0.3 million, at December 31, 2004, and 2005.

15. Allowance for Doubtful Accounts

The following table presents the activity in the allowance for doubtful accounts for the years ended December 31, 2003, 2004, and 2005:

	Balance at Beginning of Period (In Thousands)	Charged to Expense	Charged to Other Accounts	Write-offs	Balance at End of Period
Year ended December 31, 2003					
Allowance for doubtful accounts	\$ 806	\$ 250	\$	\$ 67	\$ 989
Year ended December 31, 2004					
Allowance for doubtful accounts	989	78		117	950
Year ended December 31, 2005					
Allowance for doubtful accounts	950	61		232	779

TRAFFIC.COM, INC.**Notes to Consolidated Financial Statements****16. Quarterly Results of Operations (unaudited)**

	Quarter ended							
	Mar 31, 2004	Jun 30, 2004	Sep 30, 2004	Dec 31, 2004	Mar 31, 2005	Jun 30, 2005	Sep 30, 2005	Dec 31, 2005
	(In Thousands, Except Per Share Amounts)							
	(Unaudited)							
Revenue								
Advertising	\$ 8,492	\$ 10,681	\$ 9,977	\$ 10,299	\$ 8,330	\$ 11,177	\$ 9,564	\$ 9,800
Traffic data services	592	650	670	1,081	930	969	1,126	1,397
	9,084	11,331	10,647	11,380	9,260	12,146	10,690	11,197
Cost of revenue	7,432	8,410	8,335	7,913	7,627	8,319	8,595	9,026
Gross margin	1,652	2,921	2,312	3,467	1,633	3,827	2,095	2,171
Operating expenses								
Research and development	767	960	1,025	895	807	797	983	1,318
Sales and marketing	3,099	3,105	3,100	2,728	3,783	3,529	3,733	5,132
General and administrative	1,832	1,976	1,583	1,838	1,697	2,495	1,945	2,567
Legal settlements						4,223	14,250	
	5,698	6,041	5,708	5,461	6,287	11,044	20,911	9,017
Loss from operations	(4,046)	(3,120)	(3,396)	(1,994)	(4,654)	(7,217)	(18,816)	(6,846)
Interest income (expense), net	(1,678)	15	(910)	(855)	(1,127)	(1,686)	(1,416)	(1,380)
Net loss	(5,724)	(3,105)	(4,306)	(2,849)	(5,781)	(8,903)	(20,232)	(8,226)
Redemption and accretion of redeemable convertible preferred stock	(520)	(536)	(536)	(536)	(536)	(553)	(554)	(394)
Net loss attributable to common stockholders	\$ (6,244)	\$ (3,641)	\$ (4,842)	\$ (3,385)	\$ (6,317)	\$ (9,456)	\$ (20,786)	\$ (8,620)
Net loss attributable to common stockholders per share basic	\$ (2.11)	\$ (1.23)	\$ (1.63)	\$ (1.01)	\$ (1.89)	\$ (2.80)	\$ (6.05)	\$ (2.31)
Net loss attributable to common stockholders per share diluted	\$ (2.11)	\$ (1.23)	\$ (1.63)	\$ (1.01)	\$ (1.89)	\$ (2.80)	\$ (6.05)	\$ (2.31)

17. Subsequent Events**Initial Public Offering**

In January 2006 the Company offered 6,550,000 shares of common stock during its Initial Public Offering which resulted in proceeds, after the underwriters' discount and offering costs, of approximately \$70.9 million. On January 25, 2006, the Company began trading on the NASDAQ national market under the symbol TRFC.

In February 2006, the underwriters elected to exercise a portion of their over allotment option and offered an additional 400,000 shares. Of the additional shares, 337,666 were offered by the Company and 62,334 by selling stockholders. The Company realized proceeds of \$3.8 million, net of the underwriters' discount.

Upon the closing of the initial public offering, the outstanding shares of redeemable convertible preferred stock, with a carrying value of \$57.0 million, were converted into 9,242,312 shares of common stock, in accordance with their terms.

TRAFFIC.COM, INC.

Notes to Consolidated Financial Statements

Senior Secured Credit Facility

In January 2006 the Company retired its senior secured credit facility by paying \$37.7 million of outstanding principal and accrued interest using a portion of the proceeds from the initial public offering.

Revolving Credit Facility

In February 2006, the Company repaid the outstanding obligation due under the revolving credit facility with a portion of the proceeds from the initial public offering. In March 2006, the facility expired upon its terms.

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Traffic.com, Inc.**Condensed Consolidated Balance Sheets**

(In Thousands, Except Share Amounts)

	As of September 30, 2006 (unaudited)	As of December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,621	\$ 13,143
Short-term investments	8,402	
Accounts receivable, net of allowance of \$697 and \$779 at September 30, 2006 and December 31, 2005, respectively	12,798	10,177
Government services receivables	1,806	2,091
Deferred offering costs		2,368
Other current assets	1,666	723
Total current assets	38,293	28,502
Property and equipment, net	25,494	23,816
Other long-term assets	795	2,660
Total assets	\$ 64,582	\$ 54,978
Liabilities, redeemable convertible preferred stock, and stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 1,926	\$ 3,023
Accrued station compensation	3,442	3,032
Accrued legal settlements		7,125
Other accrued expenses	2,738	4,528
Revolving credit facility		4,128
Current portion of deferred revenue	1,603	1,711
Current portion of deferred license fees	2,751	1,148
Total current liabilities	12,460	24,695
Senior secured credit facility and accrued interest		37,659
Deferred revenue	26,873	23,261
Deferred license fees	7,364	9,385
Other long-term liabilities	1,392	678
	48,089	95,678
Redeemable convertible preferred stock, \$0.01 par value, 30,000,000 shares authorized at September 30, 2006:		
Series E; 18,000,000 shares authorized and 16,265,094 issued and outstanding at December 31, 2005		32,530
Series E-1; 6,419,811 shares authorized, issued and outstanding at December 31, 2005		9,321
Series F; 6,000,000 shares authorized and 5,042,090 issued and outstanding at December 31, 2005		15,126
		56,977
Stockholders' equity (deficit):		
Common stock, \$0.01 par value, 100,000,000 shares authorized and 20,595,546 and 3,826,325 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively	207	39
Additional paid-in capital	193,005	61,566
Treasury stock at cost; 41,881 shares at September 30, 2006	(395)	
Notes receivable from stockholders	(77)	(177)
Deferred stock based compensation		(1,672)
Accumulated deficit	(176,247)	(157,433)
Total stockholders' equity (deficit)	16,493	(97,677)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	\$ 64,582	\$ 54,978

See accompanying notes to unaudited condensed interim consolidated financial statements.

Traffic.com, Inc.**Condensed Consolidated Statements of Operations
(Unaudited)
(In Thousands, Except Per Share Amounts)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenue:				
Advertising	\$ 11,029	\$ 9,564	\$ 32,885	\$ 29,071
Traffic data services	2,022	1,126	5,330	3,025
	13,051	10,690	38,215	32,096
Cost of revenue	10,424	8,595	30,067	24,541
Gross margin	2,627	2,095	8,148	7,555
Operating expenses:				
Research and development	1,551	983	4,361	2,587
Sales and marketing	4,761	3,733	13,772	11,045
General and administrative	3,013	1,945	8,146	6,137
Legal settlements		14,250		18,473
	9,325	20,911	26,279	38,242
Loss from operations	(6,698)	(18,816)	(18,131)	(30,687)
Interest income (expense), net	281	(1,416)	(677)	(4,229)
Net loss	\$ (6,417)	\$ (20,232)	\$ (18,808)	\$ (34,916)
Accretion of redeemable convertible preferred stock		(554)	(108)	(1,643)
Net loss attributable to common stockholders	\$ (6,417)	\$ (20,786)	\$ (18,916)	\$ (36,559)
Net loss attributable to common stockholders per share:				
Basic and diluted	\$ (0.31)	\$ (6.05)	\$ (1.00)	\$ (10.79)
Number of shares used in per share calculation:				
Basic and diluted	20,575	3,438	18,937	3,387

See accompanying notes to unaudited condensed interim consolidated financial statements.

Traffic.com, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2006	2005
Operating activities		
Net loss	\$ (18,808)	\$ (34,916)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation of property and equipment	2,650	1,652
Amortization of deferred financing fees and intangible assets	1,614	442
Stock based compensation expense	1,267	58
Non-cash legal expenses		11,348
Provision for bad debts	57	40
Changes in assets and liabilities:		
Accounts and government services receivables	(2,393)	468
Other assets	2,316	(347)
Accounts payable and accrued expenses	(3,522)	3,033
Accrued legal settlements	(7,125)	7,125
Deferred revenue	3,504	4,869
Deferred license agreement	(418)	1,182
Other liabilities	726	
Net cash used in operating activities	(20,132)	(5,046)
Investing activities		
Purchases of property and equipment	(4,166)	(7,021)
Change in restricted cash	336	199
Purchases of short-term investments	(48,060)	
Sales and maturities of short-term investments	39,658	
Net cash used in investing activities	(12,232)	(6,822)
Financing activities		
Proceeds from the sales of common stock in an initial public offering	77,693	
Offering issuance costs	(3,221)	
Proceeds from the issuance of redeemable convertible preferred stock		15,126
Proceeds from (repayment of) the senior secured credit facility	(37,697)	10,000
Debt issuance costs	(19)	(349)
Net proceeds from (payments of) the former revolving credit facility	(4,128)	(810)
Proceeds from the exercise of common stock options and warrants	114	74
Proceeds from the payment of shareholder notes	100	324
Payment of long-term debt		(33)
Net cash provided by financing activities	32,842	24,332
Net increase in cash and cash equivalents	478	12,464
Cash and cash equivalents at beginning of period	13,143	4,898
Cash and cash equivalents at end of period	13,621	17,362
Supplemental cash flow disclosures		
Conversion of redeemable convertible preferred stock	57,086	
Accretion of preferred stock	(108)	(1,643)
Repurchase of stock for exercise of common stock warrants	(395)	

See accompanying notes to unaudited condensed interim consolidated financial statements.

Traffic.com, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Summary of Accounting Policies

Traffic.com, Inc. (the Company), formerly known as Mobility Technologies, Inc., is deploying a nationwide traffic and logistics data collection network and a proprietary Traffic Information Management System (TIMS) with the goal of becoming the nation's premier provider of real-time digital and predictive traffic and logistics information for businesses, consumers, and government agencies. The Company is building a network of wireless sensors (the digital sensor network) and integrating government agency sensors along major highways. The digital sensor network collects vehicle counts, vehicle speeds, classification (car or truck), and roadway density and transmits the data over a wireless network to TIMS. Initially, the Company's revenues were generated solely through traditional radio and television syndication of the Company's traffic data content and the licensing of its traffic data to the federal and certain state and local governmental entities. The Company has broadened its revenue approach to include commercial sales and licenses of its traffic data (Traffic Data Services) and syndication of the Company's traffic content in the context of online, mobile and other interactive and non-traditional media.

On January 25, 2006, the Company completed an initial public offering and began trading on the NASDAQ National Market under the symbol TRFC. In the initial public offering, a total of 6,950,000 shares of common stock were sold, including the exercised portion of the underwriter's over-allotment option. Of the 6,950,000 shares of common stock sold in the initial public offering, 62,334 shares were sold by selling shareholders and 6,887,666 shares were sold by the Company, generating approximately \$74.5 million in proceeds to the Company, net of offering expenses and underwriters' discounts. In connection with the consummation of the offering, 9,242,312 shares of common stock were issued upon conversion of the Company's redeemable convertible preferred stock. Upon consummation of the offering, the Company's Fifth Amended and Restated Certificate of Incorporation became effective. The Fifth Amended and Restated Certificate of Incorporation authorizes 100,000,000 shares of common stock and 30,000,000 shares of undesignated preferred stock. No shares of preferred stock were outstanding at September 30, 2006.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated.

Unaudited Interim Financial Information

The accompanying condensed consolidated balance sheet as of September 30, 2006, the condensed consolidated statements of operations for the three and nine months ended September 30, 2006 and 2005 and the condensed consolidated statements of cash flows for the nine months ended September 30, 2006 and 2005 are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. In our opinion, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature necessary for the fair presentation of our financial position at September 30, 2006, and our results of operations for the three and nine months ended September 30, 2006 and 2005 and our cash flows for the nine months ended September 30, 2006 and 2005. The results of operations for the three and nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the year ending December 31, 2006.

Traffic.com, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2005 Annual Report on Form 10-K, filed on March 24, 2006.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On an ongoing basis, the Company evaluates its estimates, including those related to accounts receivable allowance, useful lives of long lived assets, its asset retirement obligation, revenue recognition on the Company's contract with the United States Department of Transportation, the value of common stock for the purpose of determining stock-based compensation, and income taxes, among others. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying value of assets and liabilities.

Stock-based Compensation

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123(R)). SFAS 123(R) requires all share-based payments to employees, including grants of stock options, to be recognized in the financial statements based on their fair value. Under SFAS 123(R), pro forma disclosure is no longer an alternative to financial statement recognition for stock option awards made after the Company's adoption of SFAS 123(R). See Note 5 for further details.

Income Taxes

There was no provision for income taxes for the three or nine months ended September 30, 2006 and 2005.

Reclassifications

Certain amounts in the condensed consolidated balance sheet as of December 31, 2005 have been reclassified to conform to the September 30, 2006 presentation.

Short-Term Investments

Investments with original maturities longer than three months, but less than one year, are classified as short-term investments. At September 30, 2006, these investments consisted of certificates of deposits. Short-term investments are stated at their fair value.

2. Net Loss Attributable to Common Stockholders per Common Share

Basic net loss attributable to common stockholders per common share excludes dilution for potential common stock issuances and is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period.
Diluted

Traffic.com, Inc.**Notes to Condensed Consolidated Financial Statements
(Unaudited)**

net loss attributable to common stockholders per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net loss attributable to common stockholders per common share and pro forma loss attributable to common stockholders per common share (*in thousands, except per share amounts*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Basic net loss per share				
Numerator:				
Net loss	\$ (6,417)	\$ (20,232)	\$ (18,808)	\$ (34,916)
Accretion of redeemable convertible preferred stock		(554)	(108)	(1,643)
Numerator for per share calculation basic and diluted	\$ (6,417)	\$ (20,786)	\$ (18,916)	\$ (36,559)
Denominator:				
Weighted-average common shares outstanding	20,575	3,457	18,937	3,438
Less: Weighted-average unvested common stock subject to repurchase agreements		(19)		(51)
Denominator for per share calculation basic and diluted	20,575	3,438	18,937	3,387
Net loss attributed to common stockholders per share basic and diluted	\$ (0.31)	\$ (6.05)	\$ (1.00)	\$ (10.79)

The following table shows stock equivalents that were not considered in the computation of the diluted net loss attributable to common stockholders per common share as of September 30, 2006 and 2005 as their effect is anti-dilutive:

	September 30, 2006	2005
Shares of preferred stock (on an as converted basis)		9,242,312
Stock options	2,486,714	2,042,782
Warrants	1,073,122	1,669,570

Traffic.com, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

3. Interest Income (Expense), Net (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Interest income	\$ 295	\$ 39	\$ 984	\$ 97
Amortization of deferred financing fees		(167)	(1,531)	(442)
Retroactive adjustments to accrued interest under the Senior Secured Credit facility due to amendments				(688)
Accretion of the asset retirement obligation	(14)		(41)	
Interest expense		(1,288)	(89)	(3,196)
Interest income (expense), net	\$ 281	\$ (1,416)	\$ (677)	\$ (4,229)

4. Debt

Senior Secured Credit Facility

In January 2006, the Company repaid the \$37.7 million of outstanding principal and interest outstanding under its senior secured credit facility using a portion of the proceeds raised in the initial public offering. As a result of the repayment of the facility, the Company accelerated the amortization of \$1.5 million of deferred financing fees into interest expense.

Revolving Credit Facility

In February 2006, the Company repaid the outstanding obligation due under its former revolving credit facility with a portion of the proceeds from the initial public offering. In March 2006, the facility terminated upon its terms.

In August 2006, the Company and a bank established a new revolving credit facility. The facility provides for maximum borrowings of \$12.0 million and terminates in August 2008. Borrowings bear interest at the bank's prime loan rate, plus 0.50%, which was 8.75% at September 30, 2006, and the Company is obligated to pay an unused facility fee equal to 0.25% of unused available funds, paid quarterly on an annualized basis, per annum.

The Company's borrowings are subject to an 80% advance rate against a defined borrowing base. The facility contains a minimum EBITDA (as defined in the agreement) and liquidity covenants, as well as other affirmative and negative covenants customary for a facility of this type.

As of September 30, 2006, the Company was in compliance with all covenants and there were no outstanding borrowings under this facility.

5. Stockholders' Equity (Deficit):

Reverse Stock Split

In October 2005, the Company's board of directors approved a one-for-three reverse stock split of common stock to be effected prior to the effective date of the Company's initial public offering of common stock. The reverse stock split was approved by the Company's stockholders in January 2006. In connection with the reverse stock split, the par value of the Company's common stock was adjusted to remain at \$0.01. The accompanying condensed consolidated financial

Traffic.com, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

statements give retroactive effect as though the one-for-three reverse split of the Company's common stock occurred for all periods presented.

Treasury Stock

During the nine months ended September 30, 2006, the Company withheld 41,881 shares issuable upon the exercise of warrants for the acquisition of 580,654 shares of common stock in lieu of payment of the exercise price for such warrants. These shares have been recorded at cost as treasury stock.

Stock Options

In January 2006, the Company's 2005 Long-Term Incentive Plan (the 2005 Plan), which was approved by the Board of Directors in October 2005, became effective following approval by the Company's stockholders and the consummation of the Company's initial public offering. The 2005 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units and other equity-based awards. No additional awards will be made under the Company's 1999 Long-Term Incentive Plan or the 1999 Non-Employee's Stock Plan (the 1999 Plans). Upon effectiveness of the 2005 Plan, in addition to the shares remaining for grants under the 1999 Plans which flowed through to the 2005 Plan, an additional 1,750,000 shares of common stock became reserved for issuance under the 2005 Plan. In addition, the 2005 Plan contains an evergreen provision which allows for an annual increase in the number of shares available for issuance under the plan on the first day of each of the Company's fiscal years beginning in fiscal year 2007. The annual increase in the number of shares shall be equal to the lesser of: (i) 350,000 shares; (ii) 1% of the Company's outstanding shares of common stock on the first day of the fiscal year; or (iii) an amount determined by the Company's Board of Directors. Stock option terms are generally 10 years, with options generally becoming exercisable on a pro rata basis over four years from the date of the grant.

Impact of the Adoption of SFAS 123(R)

SFAS 123(R) requires all share-based payments to employees, including grants of stock options, to be recognized in the financial statements based on their fair values. Under SFAS 123(R), pro forma disclosure is no longer an alternative to financial statement recognition for stock option awards made after the Company's adoption of SFAS 123(R). The Company adopted SFAS 123(R) on January 1, 2006.

Prior to August 30, 2005, the date that the Company filed a Form S-1 with the Securities and Exchange Commission, the Company used the minimum value method to calculate the pro forma disclosure required by SFAS 123. When the Company adopted SFAS 123(R) on January 1, 2006, the Company continued to account for the portion of awards outstanding prior to August 30, 2005 using the provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and its related interpretative guidance. The Company did not make any stock option grants in the period from August 30, 2005 through December 31, 2005. Accordingly, since the Company valued stock option grants using the minimum-value method in prior years, pro forma information would not be meaningful and is not being provided.

The Company adopted SFAS 123(R) using the modified prospective method beginning January 1, 2006. For stock-based awards granted after January 1, 2006, the Company has recognized

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Traffic.com, Inc.**Notes to Condensed Consolidated Financial Statements****(Unaudited)**

compensation expense during the nine months ended September 30, 2006 based on the estimated grant date fair value using the Black-Scholes valuation model. For these awards, the Company has recognized compensation expense using a straight-line amortization method. As SFAS 123(R) requires that stock-based compensation expense be based on awards that are ultimately expected to vest, stock-based compensation for the nine-month period ended September 30, 2006 has been reduced for estimated forfeitures. When estimating forfeitures, the Company considers voluntary termination behaviors as well as trends of actual option forfeitures. As a result of adopting Statement 123(R) on January 1, 2006, the Company's net income for the nine months ended September 30, 2006 is \$0.8 million lower than if it had continued to account for share-based compensation under APB 25, and basic and diluted earnings per share for the nine months ended September 30, 2006 is \$0.04 lower.

In connection with certain stock options granted during the second quarter of 2005, the Company, in accordance with APB 25, recorded deferred stock compensation aggregating \$1.8 million, net of subsequent cancellations, representing the difference between the exercise price of the options and the deemed fair value of the Company's common shares on the dates the options were granted. This deferred stock-based compensation is being amortized on a straight line basis over the vesting periods of the underlying stock options of four years. Through September 30, 2006, the Company has amortized approximately \$0.4 million of such compensation expense, with approximately \$0.1 million being amortized in the three months ended September 30, 2006. Upon the adoption of SFAS 123(R) in January 2006, the unearned stock-based compensation balance of approximately \$1.7 million was reclassified to additional paid-in capital.

Valuation Assumptions

The Company calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for valuing grants made during the nine months ended September 30, 2006:

Risk-free interest rates	4.54 - 4.99	%
Expected lives (in years)	5.50 - 6.25	
Dividend yield	0	%
Expected volatility	74.6% - 82.0	%
Weighted-average volatility	78.4	%

Due to a limited trading history in a public market, the Company's computation of stock-price volatility is based on the volatility rates of comparable publicly-held companies over a period equal to the estimated useful life of the options granted by the Company. These rates may or may not reflect the Company's stock-price volatility after it has been a publicly-held company for a meaningful period of time. If the Company had made different assumptions about the stock-price volatility rates, the related compensation expense and its net income and net income per share amounts could have been significantly different. The Company's computation of expected life was determined using the simplified method whereby the vesting period plus the original contractual term is divided by two. The range provided above relates to options being granted with different vesting periods. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of the grant.

Traffic.com, Inc.**Notes to Condensed Consolidated Financial Statements****(Unaudited)****Stock-based Payment Award Activity**

The following table summarizes activity under our equity incentive plans for the nine months ended September 30, 2006:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2006	2,000,478	\$ 2.43		
Granted	1,093,163	\$ 8.48		
Exercised	(58,588)	\$ 1.93		
Expired/Forfeited/Cancelled	(548,339)	\$ 11.81		
Outstanding at September 30, 2006	2,486,714	\$ 3.03	7.03	\$ 5,572,000
Options vested and expected to vest	2,335,087	\$ 2.97	6.90	\$ 5,403,000
Options vested and exercisable at September 30, 2006	1,494,047	\$ 2.56	5.93	\$ 4,136,000

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock for the 2,348,497 options that were in-the-money at September 30, 2006. As of September 30, 2006, there was approximately \$3.6 million of total unrecognized compensation expense related to unvested stock options issued under the Company's stock option plans which is expected to be recognized over a remaining weighted average period of 3.30 years. The weighted average fair value of a common stock option granted during the nine months ended September 30, 2006 was \$8.48. The total intrinsic value (market value on date of exercise less the exercise price) of the options exercised during the nine months ended September 30, 2006 was \$0.2 million.

On July 20, 2006, the Compensation Committee of the Board of Directors approved the cancellation of options to purchase an aggregate of 499,233 shares of common stock, which were granted on February 16, 2006 at an exercise price of \$12.13 per share, and to grant replacement options to purchase common stock at an exercise price of \$4.77 per share, which was the fair value of the Company's common stock on that date. The options granted provide for the Company's standard four-year vesting schedule. The cancellation and subsequent replacement of the options was undertaken in a proactive effort to retain valuable employees.

In accordance with SFAS 123(R), the cancellation and concurrent grant of the stock options has been accounted for as an option modification which will result in incremental compensation expense. The incremental compensation of \$0.4 million plus the remaining unamortized grant-date fair value of the stock options granted in February 2006 is being recognized ratably over the 48-month period from the date of grant.

Cash received from option exercises under all share-based payment arrangements for the nine months ended September 30, 2006 was \$0.1 million.

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Traffic.com, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Stock Warrants

The Company has fully vested common stock warrants that were issued prior to January 1, 2006. During the nine months ended September 30, 2006, warrants to purchase 622,535 shares of common stock were exercised at a price of \$0.75. The Company did not receive any cash proceeds as the warrant holders surrendered 41,881 shares as payment of the exercise price. The shares surrendered have been recorded as Treasury Stock in the balance sheet as of September 30, 2006. The total intrinsic value (market value on date of exercise less exercise price) of the warrants exercised during the nine months ended September 30, 2006 was \$5.5 million.

In August 2006, in connection with the origination of the revolving credit facility, the Company issued a fully vested, non-forfeitable warrant to purchase 26,087 shares of common stock, at an exercise price of \$4.60 per share to the bank providing the revolving credit facility. The warrant expires in August 2013. The value assigned to the warrant was \$48,000 which has been recorded as deferred financing fees, and is being amortized over the life of the credit facility. The fair value of the warrant was estimated at the date of issuance using the Black-Scholes option-pricing model assuming a risk-free interest rate of 4.99%, dividend yield of 0%, volatility of 47.9%, and expected life of the warrant of 3.5 years.

6. Commitments and Contingencies

In January 2006, the Company paid \$7.125 million in connection with the settlement of a litigation matter, pursuant to a settlement agreement entered into with Santa Fe Technologies, Inc. and TL Ventures, LLC in November 2006. Upon payment of the settlement amount, the matter was resolved.

7. Subsequent Event

On November 5, 2006, the Company and NAVTEQ Corporation, a Delaware corporation (NAVTEQ), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands, and NAVTEQ Holdings Delaware, Inc., a Delaware corporation (Merger Subsidiary), entered into an Agreement and Plan of Merger (the Merger Agreement), pursuant to which the Company will be merged with and into Merger Subsidiary (the Merger). Upon consummation of the Merger, the separate existence of the Company will cease, and Merger Subsidiary will be the surviving corporation. It is anticipated that the Merger will be consummated during the first quarter of 2007.

Pursuant to the Merger Agreement, at the effective time of the Merger, each share outstanding of Company common stock will be converted into the right to receive, at the election of the holder thereof (subject to certain conditions, including those pertaining to pro-ration): (i) \$8.00 in cash, without interest or (ii) 0.235 shares of NAVTEQ common stock (collectively, the Merger Consideration). The election of cash or stock will be subject to a limit on total cash consideration of approximately \$49 million (minus the cash value of dissenting shares) and a total stock consideration equal to approximately 4.3 million shares of NAVTEQ common stock (less the shares of NAVTEQ common stock issued to holders of warrants to purchase Company stock that are exchanged for NAVTEQ common stock based on the per share stock consideration).

The Merger Agreement includes customary representations, warranties and covenants of the parties. The covenants of the Company include, subject to certain exceptions, covenants to (i) conduct its business in the ordinary course consistent with past practice during the period between the execution of the Merger Agreement and the consummation of the Merger, (ii) have its Board of

Traffic.com, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Directors recommend that its stockholders vote for the approval and adoption of the Merger Agreement and the Merger, (iii) hold a stockholders meeting for the purpose of voting on the adoption of the Merger Agreement, (iv) not withdraw its Board of Director's recommendation, approve an alternative business combination transaction or proposal, or approve or enter into an agreement for an alternative business combination transaction, (v) not solicit, encourage or facilitate alternative business combination transaction proposals, and (vi) not engage in discussions or negotiations concerning or disclose nonpublic information in connection with alternative business combination transactions or proposals, subject to the Board of Directors' fiduciary duties under Delaware law.

The consummation of the Merger is subject to the approval of stockholders of the Company by a majority of the votes cast at the meeting of the Company's stockholders and other customary closing conditions, including (i) expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (ii) the absence of any law or regulation that makes illegal the Merger or the transactions contemplated thereby or prohibits or otherwise prevents the consummation of the Merger or any of the transactions contemplated thereby, (iii) the effectiveness of the registration statement on Form S-4 to be filed with the Securities and Exchange Commission (SEC), (iv) the number of shares dissenting from approval of the Merger not exceeding ten percent of the aggregate number of shares of Company capital stock outstanding as of the record date for the Company's stockholders' meeting, and (v) the approval of NAVTEQ's common stock to be issued in the Merger for listing on the New York Stock Exchange. Each party's obligation to close is also subject to, among other closing conditions, the accuracy of representations and warranties of the other party and compliance by the other party of the covenants required to be complied with on or prior to closing, the receipt of required regulatory approvals, the delivery to each party of customary tax opinions from its counsel that the Merger will qualify as a tax-free reorganization for federal income purposes, the absence of an event constituting a material adverse effect on the other party, as described in the Merger Agreement, and the delivery of certain third party consents by the other party. Furthermore, NAVTEQ's obligation to close is subject to, among other closing conditions, the delivery of written agreements from certain holders of outstanding Company warrants providing for the exercise of such warrants in full at or prior to closing, the exchange of such warrants for the per share stock consideration set forth in the Merger Agreement or the replacement of such warrants by new warrants in a form agreed to by NAVTEQ and such holders.

The Merger Agreement contains certain termination rights of the Company and NAVTEQ and further provides that the Company will be required to pay NAVTEQ a termination fee of \$6.25 million under certain specified circumstances.

The foregoing description of the Merger Agreement and the Merger does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 6, 2006.

Concurrently with the execution and delivery of the Merger Agreement, certain stockholders of the Company entered into agreements (the Voting Agreements) pursuant to which those stockholders have agreed to vote their Company shares in favor of adoption and approval of the Merger Agreement and approval of the Merger.

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AGREEMENT AND PLAN OF MERGER

by and among

NAVTEQ CORPORATION,

NAVTEQ HOLDINGS B.V.,

NAVTEQ HOLDINGS DELAWARE, INC.

and

TRAFFIC.COM, INC.

Dated as of November 5, 2006

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Company Disclosure Letter

Parent Disclosure Letter

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this *Agreement*) is made and entered into as of November 5, 2006, by and among NAVTEQ Corporation, a Delaware corporation (*Parent*), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands and a wholly-owned subsidiary of Parent (*BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of BV Sub (*Merger Sub*), and Traffic.com, Inc., a Delaware corporation (the *Company*). All capitalized terms used in this Agreement shall have the respective meanings ascribed thereto in Article I.

RECITALS

WHEREAS, the Boards of Directors of Parent, BV Sub, Merger Sub and the Company deem it advisable and in the best interest of their respective stockholders to consummate the transactions contemplated by this Agreement on the terms and subject to the conditions provided for herein;

WHEREAS, the Boards of Directors of Parent, Merger Sub and the Company and the shareholder and managing director of BV Sub have approved, in accordance with Applicable Law, this Agreement and the transactions contemplated hereby, including the Merger, and the Board of Directors of the Company has resolved to recommend to the stockholders of the Company that they approve and adopt this Agreement and approve the Merger;

WHEREAS, it is proposed that the acquisition be accomplished by the merger of the Company with and into Merger Sub, with Merger Sub being the Surviving Corporation, in accordance with the applicable provisions of Delaware Law, and each share of Company Common Stock will thereupon be cancelled and converted into the right to receive the consideration as set forth herein, all upon the terms and subject to the conditions set forth herein;

WHEREAS, for United States federal income tax purposes, the parties intend that the Merger qualify as a reorganization within the meaning of Section 368(a) of the Code and that this Agreement constitutes a plan of reorganization for purposes of Section 368(a) of the Code;

WHEREAS, concurrently with the execution and delivery of this Agreement, as a condition and inducement to the willingness of Parent, BV Sub and Merger Sub to enter into this Agreement, each of the directors and executive officers of the Company who own shares of Company Common Stock and who are identified on *Schedule I* hereto, in their respective capacities as stockholders of the Company, and each of the other stockholders of the Company identified on *Schedule I* hereto, have entered into Voting Agreements with Parent substantially in the forms attached hereto as *Exhibit A-1* or *Exhibit A-2* (each, a *Voting Agreement* and collectively, the *Voting Agreements*); and

WHEREAS, the Company, Parent, BV Sub and Merger Sub desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

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NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, and intending to be legally bound hereby, Parent, BV Sub, Merger Sub and the Company hereby agree as follows:

Article I
DEFINITIONS

1.1. **Certain Definitions.** For all purposes of and under this Agreement, the following capitalized terms shall have the following respective meanings:

Acquisition Proposal shall mean any offer, proposal or any third party indication of interest or intent relating to any transaction or series of related transactions involving: (i) any purchase or acquisition by any Person or group (as defined under Section 13(d) of the Exchange Act and the rules and regulations thereunder) of more than a 10% interest in the total outstanding voting securities of the Company or any tender offer or exchange offer that, if consummated, would result in any Person or group beneficially owning 10% or more of the total outstanding voting securities of the Company, (ii) any merger, consolidation, business combination or similar transaction involving the Company or any of its Subsidiaries pursuant to which the stockholders of the Company immediately preceding such transaction hold less than 90% of the equity interests in the surviving or resulting entity of such transaction or the parent of any such surviving or resulting entity, (iii) any sale, lease (other than in the ordinary course of business), exchange, transfer, license (other than in the ordinary course of business), acquisition or disposition of more than 10% of the assets of the Company and its Subsidiaries, taken as a whole (other than in a transaction involving not more than 20% of the assets of the Company and its Subsidiaries, taken as a whole, as may be consented to by Parent, which consent may not be unreasonably withheld, conditioned or delayed), (iv) any liquidation or dissolution of the Company (provided, however, that the transactions between Parent and the Company contemplated by this Agreement shall not be deemed an Acquisition Proposal), or (v) any combination of the foregoing.

Affiliate shall mean, with respect to any Person, any other Person which directly or indirectly controls, is controlled by or is under common control with such Person. For purposes of the immediately preceding sentence, the term control (including, with correlative meanings, the terms controlling, controlled by and under common control with) used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

Applicable Law shall mean any and all applicable federal, state, local, municipal, foreign or other law, statute, treaty, constitution, principle of common law, resolution, ordinance, code, edict, decree, directive, guidance, order, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Authority.

Business Day shall mean any day, other than a Saturday, Sunday and any day which is a legal holiday under the laws of the State of Delaware.

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

Company Material Adverse Effect shall mean any change, circumstance, development, effect, event, fact or occurrence that, individually, or when taken together with all such other changes, circumstances, developments, effects, events, facts or occurrences that exist or have occurred prior to the date of determination of the Company Material Adverse Effect, has caused, resulted in or had, a

material and adverse effect on the business, financial condition, assets (whether real, personal or mixed, tangible or intangible), properties, or results of operations of the Company and its Subsidiaries, taken as a whole; provided, however, that, in no event shall any of the following be deemed to constitute or be taken into account in determining whether a Company Material Adverse Effect has occurred: any change, circumstance, development, effect, event, fact or occurrence primarily resulting (i) from changes affecting the United States or world economy generally, which changes do not affect the Company and its Subsidiaries, taken as a whole, in a disproportionate manner, (ii) from changes affecting the industry in which the Company and its Subsidiaries operate generally which changes do not affect the Company and its Subsidiaries, taken as a whole, in a disproportionate manner, (iii) from a change in the Company's stock price or the trading volume in such stock; provided, however, that this clause (iii) shall not exclude any underlying effect which may have caused such change in stock price or trading volume, (iv) from a failure to meet the Company's internal projections or securities analysts' estimates of revenue, earnings or other business or operating metrics for the Company for any period ending on or after the date of this Agreement (or for such other period for which estimates of revenues, earnings or other business or operating metrics are released); provided, however, that this clause (iv) shall not exclude any underlying effect which may have caused such failure to meet securities analysts' estimates of revenue, earnings or other business or operating metrics, (v) from changes in accounting requirements or principles imposed upon the Company and its Subsidiaries pursuant to changes in GAAP or Applicable Law which changes were first publicly disclosed after the date hereof, (vi) from any change in Applicable Laws, or the interpretation thereof, (vii) from any litigation brought by a holder of Company Common Stock arising from allegations of a breach of fiduciary duty relating to this Agreement, or (viii) from the loss of any single customer which, individually, accounted for \$1,000,000 or less of the Company's net revenue during the preceding twelve (12) month period prior to the date of this Agreement or any group of customers which, in the aggregate, accounted for \$1,000,000 or less of the Company's net revenue during the preceding twelve (12) month period prior to the date of this Agreement.

Company Options shall mean any outstanding options to purchase shares of Company Common Stock under any of the Company Stock Option Plans or otherwise.

Company Securities shall mean the Company Common Stock and any other securities of the Company.

Company Warrants shall mean any outstanding warrants to purchase shares of Company Common Stock.

Contract shall mean any contract, subcontract, agreement, commitment, note, bond, mortgage, indenture, lease, license, sublicense, permit, franchise or other instrument, obligation or binding arrangement or understanding of any kind or character, whether oral or in writing.

Delaware Law shall mean the DGCL and any other applicable law of the State of Delaware.

DGCL shall mean the General Corporation Law of the State of Delaware, or any successor statute thereto.

Employees shall mean all employees of the Company and its Subsidiaries.

Environmental Law means any and all applicable federal, state and local statutes, laws, regulations, ordinances, rules, judicial and administrative orders, injunctions or decrees, or other legal requirements relating to occupational safety and health, the environment, or emissions, discharges or releases of Hazardous Substances into the environment, including ambient air, surface water, groundwater or land, or otherwise relating to the handling of Hazardous Substances or the investigation, clean-up or other remediation thereof.

Environmental Matters means any liability or obligation arising under Environmental Law, whether arising under theories of contract, tort, negligence, successor or enterprise liability, strict liability or other legal or equitable theory, including (i) any failure to comply with an applicable Environmental Law or Permit and (ii) any liability or obligation arising from the manufacture, processing, distribution, treatment, storage, disposal, transport, presence of, release or threatened release of, or exposure of persons or property to, Hazardous Substances.

Hazardous Substance means any hazardous substance, hazardous waste, pollutant, contaminant or toxic substance defined or regulated by any Environmental Law, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., the Resources Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Clean Water Act, 33 U.S.C. Section 1251 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., or the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., and regulations promulgated thereunder, or any analogous state and local laws and regulations), petroleum and petroleum products, polychlorinated biphenyls or asbestos.

Knowledge shall mean (i) with respect to the Company and its Subsidiaries, with respect to any matter in question, that any of the following persons has actual knowledge of such matter after reasonable inquiry of the persons employed by the Company and its Subsidiaries whose duties would, in the normal course of the affairs of the Company and its Subsidiaries, result in such person having knowledge of the matter in question: the Company's Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Chief Information Officer, and General Counsel, and (ii) with respect to Parent, BV Sub, Merger Sub and Parent's other Subsidiaries, with respect to any matter in question, that any of the following persons has actual knowledge of such matter after reasonable inquiry of the persons employed by Parent and its Subsidiaries whose duties would, in the normal course of the affairs of Parent and its Subsidiaries, result in such person having knowledge of the matter in question: Parent's President and Chief Executive Officer, Chief Financial Officer, and General Counsel.

Legal Proceedings shall mean any action, claim, suit, litigation, arbitration, proceeding (public or private), criminal prosecution, audit or investigation by or before any Governmental Authority.

Liability or Liabilities shall mean all indebtedness, obligations and other liabilities, whether direct or indirect, and any loss, damage (including direct, incidental, consequential and special damages), cost, deficiency, Lien, penalty, fine, cost or expense (including any litigation expenses), or any diminution in value of any real or personal property (excluding any depreciation), or contingent liability, loss contingency, unpaid expense, claim, guaranty or endorsement (other than endorsements for deposits or collection of checks in the ordinary course of business).

Lien shall mean any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim, interference, option, right of first refusal, preemptive right, community property interest or restriction of any nature (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

NASDAQ shall mean the Nasdaq Global Market, any successor inter-dealer quotation system operated by the Nasdaq Stock Market, Inc. or any successor thereto.

NYSE shall mean the New York Stock Exchange.

Parent Material Adverse Effect shall mean any change, circumstance, development, effect, event, fact or occurrence that, individually, or when taken together with all such other changes, circumstances, developments, effects, events, facts or occurrences that exist or have occurred prior to the date of determination of the Parent Material Adverse Effect, has caused, resulted in or had, a

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material and adverse effect on the business, financial condition, assets (whether real, personal or mixed, tangible or intangible), properties, or results of operations of Parent and its Subsidiaries, taken as a whole; provided, however, that, in no event shall any of the following be deemed to constitute or be taken into account in determining whether a Parent Material Adverse Effect has occurred: any change, circumstance, development, effect, event, fact or occurrence primarily resulting (i) from changes affecting the United States or world economy generally, which changes do not affect Parent and its Subsidiaries, taken as a whole, in a disproportionate manner, (ii) from changes affecting the industry in which Parent and its Subsidiaries operate generally which changes do not affect Parent and its Subsidiaries, taken as a whole, in a disproportionate manner, (iii) from a change in Parent's stock price or the trading volume in such stock; provided, however, that this clause (iii) shall not exclude any underlying effect which may have caused such change in stock price or trading volume, (iv) from a failure to meet Parent's internal projections or securities analysts' estimates of revenue, earnings or other business or operating metrics for Parent for any period ending on or after the date of this Agreement (or for such other period for which estimates of revenues, earnings or other business or operating metrics are released); provided, however, that this clause (iv) shall not exclude any underlying effect which may have caused such failure to meet securities analysts' estimates of revenue, earnings or other business or operating metrics, (v) from changes in accounting requirements or principles imposed upon Parent and its Subsidiaries pursuant to changes in GAAP or Applicable Law which changes were first publicly disclosed after the date hereof, (vi) any change in Applicable Laws, or the interpretation thereof or (vii) from any litigation brought by a holder of Parent Common Stock arising from allegations of a breach of fiduciary duty relating to this Agreement.

Parent Stock Option Plans shall mean all of Parent's currently existing stock incentive plans.

Person shall mean any individual, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization, entity or Governmental Authority.

Proxy Statement shall mean the proxy statement, letter to stockholders, notice of meeting and form of proxy accompanying the proxy statement that will be provided to the stockholders of the Company in connection with the solicitation of proxies for use at the Company Stockholders' Meeting, and any schedules required to be filed with the SEC under the Exchange Act in connection therewith, and any amendments or supplements thereto, which Proxy Statement will be included in the Registration Statement and form part of the Proxy Statement/Prospectus.

Registration Statement shall mean the Registration Statement on Form S-4 to be filed by Parent with the SEC under the Securities Act to register the shares of Parent Common Stock issuable in connection with the Merger, and any amendments or supplements thereto

SEC shall mean the United States Securities and Exchange Commission, or any successor thereto.

Subsidiaries of any Person shall mean (i) a corporation more than fifty percent (50%) of the combined voting power of the outstanding voting stock of which is owned, directly or indirectly, by such Person or by one of more other Subsidiaries of such Person or by such Person and one or more other Subsidiaries thereof, (ii) a partnership of which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, is the general partner and has the power to direct the policies, management and affairs of such partnership, (iii) a limited liability company of which such Person or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, is the managing member and has the power to direct the policies, management and affairs of such company or (iv) any other Person (other than a corporation, partnership or limited liability company) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other

Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

Subsidiary Securities shall mean the securities of the Company's Subsidiaries.

Superior Proposal with respect to the Company, shall mean an unsolicited, bona fide written offer made by a third party to acquire, directly or indirectly, pursuant to a tender offer, exchange offer, merger, consolidation or other business combination, a majority of the assets of the Company (measured by either fair market value of such assets or by revenue attributable to such assets) or all of the outstanding voting securities of the Company, or otherwise enter into a transaction as a result of which the stockholders of the Company immediately preceding such transaction would hold less than 50% of the equity interests in the surviving or resulting entity of such transaction and any direct or indirect parent or subsidiary thereof, on terms that the Board of Directors of the Company has reasonably concluded in good faith (following the receipt of advice of its outside legal counsel and its financial advisor, and taking into account, among other things, all legal, financial, regulatory and other aspects of the offer and the Person making the offer, including without limitation any proposed conditions to consummation, as well as any counter-offer or counter-proposal made by Parent) to be more favorable, from a financial point of view, to the Company's stockholders (in their capacities as stockholders) than the terms of the Merger, is reasonably likely to be consummated and for which financing, to the extent required, is then fully committed or reasonably determined by the Board of Directors in good faith to be available.

1.2. **List of Additional Defined Terms.** The following capitalized terms shall have the respective meanings ascribed thereto in the respective sections of this Agreement set forth opposite each of the capitalized terms identified below:

Term	Defined in Section
401(k) Plan	6.21(c)
Action of Divestiture	6.7(d)
Affiliate Letter	6.16
Aggregate Cash Shares	2.7(b)
Aggregate Stock Shares	2.7(c)
Agreement	Preamble
Antitrust Law	6.7(a)
Assumed Option	6.12(a)
Bid	3.27
Board Recommendation	6.2(a)
Board Recommendation Change	6.2(b)
BV Sub	Preamble
Cash Consideration Cap	2.7(b)
Cash Election	2.7(a)(i)
Cash Fraction	2.7(b)(iii)
Certificate	2.6(c)
Certificate of Merger	2.2
Closing	2.3
Closing Date	2.3
Committee Fairness Opinion	3.26
Company	Preamble
Company Balance Sheet	3.4(b)
Company Benefit Plan	3.16(a)
Company Bylaws	3.1(b)
Company Charter	3.1(b)

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Company Charter Documents	3.1(b)
Company Common Stock	3.2(a)
Company Disclosure Letter	Preamble to Art. III
Company Employee Plan	5.1(s)
Company Fairness Opinion	3.26
Company Financials	3.4(b)
Company Government Contract	3.27
Company Government Subcontract	3.27
Company Intellectual Property	3.8
Company Material Contract	3.17(a)
Company Permits	3.10
Company Preferred Stock	3.2(a)
Company Products	3.8
Company Registered Intellectual Property	3.8
Company SEC Reports	3.4(a)
Company Source Code	3.8(j)
Company Stock Option Plans	3.2(b)
Company Stockholders Meeting	6.3(a)
Confidentiality Agreement	6.5(a)
Customer Information	3.8(n)
Delaware Secretary of State	2.2
Dissenting Shares	2.9
Dissenting Stockholder	2.9
DOJ	3.3(c)
Effective Time	2.2
Election	2.7(a)(iii)
Election Deadline	2.7(f)
End Date	8.1(b)
Environmental Permits	3.13
ERISA	3.16(a)
ERISA Affiliate	3.16(a)
Exchange Act	3.3(c)
Exchange Agent	2.8(a)
Exchange Fund	2.8(b)
Exchange Ratio	2.6(c)(i)
Exchanged Options	6.12(b)(ii)
Export Approvals	3.23
Fairness Opinion	3.26
FCPA	3.24
Form of Election	2.7(a)
FTC	3.3(c)
GAAP	3.4(b)
Governmental Authority	3.3(c)
Guarantee of Delivery	2.7(f)
HSR Act	3.3(c)
Indemnified Parties	6.15(a)
Intellectual Property	3.8
Intellectual Property Rights	3.8
Lease Documents	3.7(b)
Letter of Transmittal	2.7(f)

Merger	2.1
Merger Consideration	2.6(c)
Merger Sub	Preamble
Merger Sub Bylaws	4.1(b)
Merger Sub Charter	4.1(b)
Necessary Governmental Consents	3.3(c)
Non-Electing Shares	2.7(d)(iii)
Non-Election	2.7(a)(iii)
Open Source	3.8(i)
Parent Bylaws	4.1(b)
Parent Charter	4.1(b)
Parent Common Stock	4.2
Parent Disclosure Letter	Preamble to Art. IV
Parent Financials	4.5
Parent Permits	4.7
Parent Preferred Stock	4.2
Parent SEC Reports	4.4
Parent s 401(k) Plan	6.21(c)
Per Share Cash Consideration	2.6(c)(ii)
Per Share Stock Consideration	2.6(c)(i)
Plan	3.16(a)
Proxy Statement/Prospectus	6.4(a)
Real Property	3.7(a)
Relevant Group	3.6(a)(i)
Requisite Stockholder Approval	3.3(a)
Sarbanes-Oxley Act	3.4(a)
Securities Act	3.3(c)
Shrink-Wrapped Code	3.8
Significant Customer	3.21
Significant Supplier	3.22
Source Code	3.8
Special Committee	3.26
Stock Consideration Cap	2.7(c)
Stock Election	2.7(a)(ii)
Stock Fraction	2.7(c)(iii)
Subsidiary Charter Documents	3.1(b)
Surviving Corporation	2.1
Tax; Taxes	3.6(a)(ii)
Tax Return	3.6(a)(iii)
Termination Fee	8.3(b)(i)
Trade Secrets	3.8(a)
Transfer Taxes	3.6(a)(iv)
Triggering Event	8.1(e)
Voting Agreement	Preamble

Article II
THE MERGER

2.1. **The Merger.** Upon the terms and subject to the conditions set forth in this Agreement and the applicable provisions of Delaware Law, at the Effective Time, the Company shall be merged with and into Merger Sub (the *Merger*), the separate corporate existence of the Company shall thereupon cease and Merger Sub shall continue as the surviving corporation of the Merger. (Merger Sub, as the surviving corporation of the Merger, is sometimes hereinafter referred to as the *Surviving Corporation*). At the Effective Time, the effect of the Merger shall be as provided in this Agreement and the applicable provisions of Delaware Law. Without limiting the generality of the foregoing, at the Effective Time all of the property, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

2.2. **Effective Time of the Merger.** Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date, Merger Sub shall cause the Merger to be consummated under Delaware Law by filing a certificate of merger in customary form and substance (the *Certificate of Merger*) with the Secretary of State of the State of Delaware (the *Delaware Secretary of State*) in accordance with the applicable provisions of Delaware Law, with the time of such filing with the Delaware Secretary of State, or such later time as may be agreed in writing by Parent and the Company and specified in the Certificate of Merger, being referred to in this Agreement as the *Effective Time*.

2.3. **Closing.** The consummation of the Merger (the *Closing*) shall take place at a closing to occur at the offices of Pepper Hamilton LLP, 600 Fourteenth Street, N.W., Washington, D.C. 20005, on a date and at a time to be agreed upon by Parent, BV Sub, Merger Sub and the Company, which date shall be no later than the second Business Day after the satisfaction or waiver (to the extent permitted by this Agreement and Applicable Law) of the last to be satisfied or waived of the conditions set forth in Article VII (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver, to the extent permitted by this Agreement and Applicable Law, of such conditions), or at such other location, date and time as Parent, BV Sub, Merger Sub and the Company shall mutually agree upon in writing, with the date upon which the Closing shall actually occur pursuant hereto being referred to in this Agreement as the *Closing Date*.

2.4. **Certificate of Incorporation and Bylaws.** The certificate of incorporation and bylaws of Merger Sub in effect immediately prior to the Effective Time shall be the certificate of incorporation and bylaws of the Surviving Corporation as of and after the Effective Time, until thereafter amended in accordance with the applicable provisions of Delaware Law, such certificate of incorporation and bylaws, and this Agreement.

2.5. **Directors and Officers.** Unless otherwise determined by Parent prior to the Effective Time, the directors and officers of Merger Sub holding office immediately prior to the Effective Time shall be the directors and officers of the Surviving Corporation as of and after the Effective Time and shall continue as such until their respective successors are duly elected or appointed and qualified.

2.6. **Effect on Capital Stock; Effect on Options and Warrants.** Upon the terms and subject to the conditions of this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of Parent, BV Sub, Merger Sub, the Company or the holders of any shares of capital stock of the Company:

(a) **Treasury Stock.** All shares of Company Common Stock that are held in the Company's treasury shall be cancelled and cease to exist and no cash, shares of Parent capital stock or other consideration shall be delivered in exchange therefor.

(b) **Subsidiary and Parent-Owned Stock.** All shares of Company Common Stock held by any direct or indirect wholly-owned Subsidiary of the Company shall be cancelled and cease to exist and no cash, shares of Parent capital stock or other consideration shall be delivered in exchange therefor. All shares of Company Common Stock held by the Parent or any direct or indirect wholly-owned Subsidiary of Parent shall be cancelled and cease to exist and no cash, shares of Parent capital stock or other consideration shall be delivered in exchange therefor.

(c) **Conversion of Company Common Stock.** Subject to the other provisions of this Article II (including the election and pro-rata provisions set forth in Section 2.7), each issued and outstanding share of Company Common Stock shall be converted into the right to receive, at the election of the holder thereof:

(i) 0.235 shares of Parent Common Stock (the *Per Share Stock Consideration*, and the ratio of one share of Company Common Stock to the Per Share Stock Consideration being the *Exchange Ratio*); or

(ii) cash in the amount of \$8.00, without interest (the *Per Share Cash Consideration*).

All such shares of Company Common Stock, when so converted, shall be retired, shall cease to be outstanding and shall automatically be cancelled, and the holder of a certificate (*Certificate*) that, immediately prior to the Effective Time represented such shares of Company Common Stock shall cease to have any rights with respect thereto, except the right to receive, upon the surrender of such Certificate in accordance with Section 2.8(c): (A) the Per Share Stock Consideration and/or the Per Share Cash Consideration, as the case may be, as determined in accordance with Section 2.7, (B) certain dividends and other distributions in accordance with Section 2.8(d), and (C) cash in lieu of fractional shares of Parent Common Stock in accordance with Section 2.6(f), in each case without interest (collectively, the *Merger Consideration*). All Merger Consideration paid upon the surrender for exchange of shares of Company Common Stock in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to such shares of Company Common Stock, and there shall be no registration of transfers on the records of the Surviving Corporation of shares of Company Common Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be cancelled and exchanged as provided in this Article II.

Notwithstanding the foregoing, if between the date hereof and the Effective Time the Parent Common Stock or Company Common Stock is changed into a different number of shares or a different class, because of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, the Exchange Ratio and the Per Share Cash Consideration shall be correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares.

(d) **Parent Common Stock.** The Merger shall not affect any shares of Parent Common Stock that are issued and outstanding immediately prior to the Effective Time.

(e) **Company Options; Company Warrants.**

(i) At the Closing, each Company Option then outstanding under any of the Company Stock Option Plans shall be treated in accordance with the provisions of this Article II and Section 6.12. At the time of execution and delivery of this Agreement by the Company, the Company shall deliver or cause to be delivered to Parent written evidence that the Company's Board of Directors or the Compensation Committee of the Board of Directors has taken such action pursuant to the Company Stock Option Plans and the stock option agreements pertaining to all outstanding Company Options so as to cause all Company Options outstanding at the Closing to be cancelled, other than those to be assumed by Parent in accordance with Section 6.12(a) and those that become Exchanged Options in accordance with Section 6.12(b). With

respect to the Company's 1999 Non-Employee Option Plan, the Company shall use all commercially reasonable efforts to cause the holders of Company Options outstanding under such plan to exercise such Company Options at or prior to Closing. Subject to the other provisions of this Article II (including the election and pro-ration provisions set forth in Section 2.7), each Exchanged Option shall be converted (on a net basis, taking into account the exercise price of such Exchanged Option) into the right to receive, at the election of the holder thereof (A) the Per Share Stock Consideration or (B) the Per Share Cash Consideration.

(ii) At the Closing, each Company Warrant then outstanding shall be treated in accordance with the provisions of Section 6.12(c), except that Exchanged Warrants shall be treated in accordance with the provisions of this Article II and Section 6.12. Subject to the other provisions of this Article II (but excluding the election and pro-ration provisions set forth in Section 2.7), each Exchanged Warrant shall be converted (on a net basis, taking into account the exercise price of such Exchanged Warrant) into the right to receive the Per Share Stock Consideration.

(iii) All Exchanged Options and Exchanged Warrants, when so converted, shall be retired, shall cease to be outstanding and shall automatically be cancelled, and the holder thereof shall cease to have any rights with respect thereto, except the right to receive, upon the surrender of such Exchanged Option or Exchanged Warrant in accordance with Section 2.8(c): (A) the Per Share Stock Consideration and/or the Per Share Cash Consideration, as the case may be, as determined in accordance with Section 2.7 (and, in the case of Exchanged Warrants, the Per Share Stock Consideration only), (B) certain dividends and other distributions in accordance with Section 2.8(d), and (C) cash in lieu of fractional shares of Parent Common Stock in accordance with Section 2.6(f), in each case without interest. All such consideration paid upon the surrender for exchange of Exchanged Options or Exchanged Warrants in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to such Exchanged Option or Exchanged Warrant.

(f) **No Fractional Shares of Parent Common Stock.** No fractional shares of Parent Common Stock shall be issued in the Merger, but in lieu thereof (i) each holder of shares of Company Common Stock and (ii) each holder of a Company Option or Company Warrant which becomes an Exchanged Option or Exchanged Warrant, who would otherwise be entitled to a fraction of a share of Parent Common Stock (after aggregating all fractional shares of Parent Common Stock that otherwise would be received by such holder) shall, upon surrender of such holder's Certificate(s), Company Option or Company Warrant, as applicable, receive an amount of cash (rounded to the nearest whole cent), without interest, less the amount of any withholding taxes as contemplated by Section 2.8(f) which are required to be withheld with respect thereto, equal to the product of: (i) such fraction, multiplied by (ii) the average closing price of one share of Parent Common Stock for the ten (10) most recent trading days that Parent Common Stock has traded ending on the trading day one day prior to the Effective Time, as reported on the NYSE. As soon as practicable after the determination of the amount of cash to be paid to such former holders in lieu of any fractional interests, the Exchange Agent shall notify Parent, and Parent shall cause BV Sub to deposit with the Exchange Agent and shall cause the Exchange Agent to make available in accordance with this Agreement such amounts to such former holders of Company Common Stock, Company Options and Company Warrants.

2.7. *Election and Allocation Procedures.*

(a) **Cash and Stock Elections.** Subject to the election and allocation procedures set forth in this Section 2.7, the limitations imposed by the Cash Consideration Cap and the Stock Consideration Cap and the agreements to make Stock Elections set forth in Section 2.7(e), each record holder (or beneficial owner through appropriate and customary documentation and instructions) of shares of

Company Common Stock immediately prior to the Effective Time and each holder of a Company Option that has become an Exchanged Option in accordance with Section 6.12(b) shall be entitled to:

- (i) elect to receive the Merger Consideration (A) in respect of each such share of Company Common Stock and (B) in respect of each Exchanged Option (on a net basis, taking into account the exercise price of such Exchanged Option) entirely in cash (a *Cash Election*),
- (ii) elect to receive the Merger Consideration (A) in respect of each such share of Company Common Stock and (B) in respect of each Exchanged Option (on a net basis, taking into account the exercise price of such Exchanged Option) entirely in shares of Parent Common Stock (a *Stock Election*), or
- (iii) indicate that such holder has no preference as to the receipt of cash or shares of Parent Common Stock with respect to such shares of Company Common Stock or Exchanged Options (a *Non-Election*; and any Cash Election, Stock Election or Non-Election shall be referred to herein generally as an *Election*);

provided, however, that no holder of Dissenting Shares shall be entitled to make an Election, and, provided further, that the election made by each holder shall apply to all shares of Company Common Stock and all Exchanged Options held by each holder (except that a holder of Dissenting Shares who withdraws or waives such holder's dissent pursuant to Section 262 of the DGCL shall be entitled to make an Election). All such Elections shall be made on a form furnished by Parent for that purpose (a *Form of Election*) reasonably satisfactory to the Company. If more than one Certificate shall be surrendered in accordance with Section 2.8(c) and/or more than one Company Option that has become an Exchanged Option in accordance with Section 6.12(b) for the account of the same holder, the number of shares of Parent Common Stock, if any, to be issued to such holder in exchange for the Certificates and Exchanged Options that have been surrendered and/or exchanged in accordance with Section 2.8(c) and Section 6.12(b) shall be computed on the basis of the aggregate number of shares of Company Common Stock represented by all such Certificates and Exchanged Options surrendered and/or exchanged for the account of such holder. Holders of record of shares of Company Common Stock who hold such shares as nominees, trustees or in other representative capacities may submit multiple Forms of Election, provided that such nominee, trustee or representative certifies that each such Form of Election covers all shares of Company Common Stock held for a particular beneficial owner.

(b) ***Pro-ratio Excess Cash Elections.*** Notwithstanding the Elections made pursuant to Section 2.7(a), the aggregate cash consideration payable to all holders of shares of Company Common Stock and Company Options that have become Exchanged Options in accordance with Section 6.12(b) shall not exceed \$49,000,000 minus the cash value of Dissenting Shares (the *Cash Consideration Cap*). For purposes of the definition of Cash Consideration Cap, the cash value of Dissenting Shares shall equal the Per Share Cash Consideration multiplied by the number of shares of Company Common Stock that are Dissenting Shares. If the product of (X) the Per Share Cash Consideration and (Y) the aggregate number of shares of Company Common Stock (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) with respect to which Cash Elections have been made would exceed the Cash Consideration Cap, then:

- (i) each share of Company Common Stock with respect to which a Stock Election shall have been made (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) shall be converted into the right to receive the Per Share Stock Consideration;
- (ii) each share of Company Common Stock with respect to which a Non-Election shall have been made (or deemed to have been made) (including shares of Company Common Stock

issued and outstanding and shares attributable to Exchanged Options) shall be converted into the right to receive the Per Share Stock Consideration; and

(iii) each share of Company Common Stock with respect to which a Cash Election shall have been made (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) shall be converted into the right to receive: (A) the amount in cash, without interest, equal to the product of (1) the Per Share Cash Consideration and (2) a fraction (the *Cash Fraction*), the numerator of which shall be the Aggregate Cash Shares, and the denominator of which shall be the aggregate number of shares of Company Common Stock with respect to which Cash Elections shall have been made (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options), and (B) the number of shares of Parent Common Stock equal to the product of (1) the Per Share Stock Consideration and (2) a fraction equal to one minus the Cash Fraction.

For purposes of this Article II, *Aggregate Cash Shares* means a number of shares of Company Common Stock equal to the Cash Consideration Cap *divided by* the Per Share Cash Consideration.

(c) ***Pro-ratio Excess Parent Stock Elections.*** Notwithstanding the Elections made pursuant to Section 2.7(a), the aggregate number of shares of Parent Common Stock payable to all holders of shares of Company Common Stock (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) shall not exceed that number of shares equal to 4,300,000 less the shares of Parent Common Stock payable to the holders of Company Warrants that become Exchanged Warrants pursuant to Section 2.7(e) and Section 6.12(c) (the *Stock Consideration Cap*). If the product of (X) the Per Share Stock Consideration and (Y) the aggregate number of shares of Company Common Stock with respect to which Stock Elections have been made, including pursuant to the agreements described in Section 2.7(e) would exceed the Stock Consideration Cap, then:

(i) each share of Company Common Stock with respect to which a Cash Election shall have been made (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) shall be converted into the right to receive the Per Share Cash Consideration;

(ii) each share of Company Common Stock with respect to which a Non-Election shall have been made (or deemed to have been made) (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) shall be converted into the right to receive the Per Share Cash Consideration; and

(iii) each share of Company Common Stock with respect to which a Stock Election shall have been made (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) shall be converted into the right to receive: (A) the number of shares of Parent Common Stock equal to the product of (1) the Per Share Stock Consideration and (2) a fraction (the *Stock Fraction*), the numerator of which shall be the Aggregate Stock Shares, and the denominator of which shall be the aggregate number of shares of Company Common Stock (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) with respect to which Stock Elections have been made, and (B) the amount in cash, without interest, equal to the product of (1) the Per Share Cash Consideration and (2) a fraction equal to one minus the Stock Fraction. For purposes of this Article II, *Aggregate Stock Shares* means a number of shares of Company Common Stock equal to the Stock Consideration Cap *divided by* the Per Share Stock Consideration.

(d) **No Pro-ration.** In the event that Sections 2.7(b) and 2.7(c) are not applicable, then:

(i) each share of Company Common Stock with respect to which a Cash Election shall have been made (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) shall be converted into the right to receive the Per Share Cash Consideration;

(ii) each share of Company Common Stock with respect to which a Stock Election shall have been made (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) shall be converted into the right to receive the Per Share Stock Consideration; and

(iii) each share of Company Common Stock with respect to which a Non-Election shall have been made (or deemed to have been made) (including shares of Company Common Stock issued and outstanding and shares attributable to Exchanged Options) (the *Non-Electing Shares*), if any, shall be converted into the right to receive a pro rata share of the remaining Per Share Stock Consideration and Per Share Cash Consideration.

(e) **Exchanged Warrants; Agreement to Make Stock Election.** Notwithstanding the provisions of Sections 2.7(a), (b), (c) and (d), any Company Warrant that becomes an Exchanged Warrant in accordance with Section 6.12(c) shall be exchanged only for the Per Share Stock Consideration (on a net basis, taking into account the exercise price of such Exchanged Warrant) and shall not be entitled to make any Election. Further, the holders of shares of Company Common Stock listed on *Schedule III* hereto have agreed and committed to make a Stock Election with respect to all issued and outstanding shares of Company Common Stock held by them and the holders of shares of Company Warrants listed on *Schedule IV* hereto have agreed and committed to exchange their Company Warrants in accordance with Section 6.12(c) so that such Company Warrants become Exchanged Warrants. The parties acknowledge and agree that the Stock Elections made pursuant to this Section 2.7(e) shall be treated as Stock Elections for all purposes of Article II, including the determination as to whether the Stock Consideration Cap has been exceeded.

(f) **Form of Election; Delivery of Certificates.** A Form of Election and a letter of transmittal (the *Letter of Transmittal*) shall be included with or mailed contemporaneously with each copy of the Proxy Statement/Prospectus. Parent and Company shall each use commercially reasonable efforts to mail or otherwise make available the Form of Election and the Letter of Transmittal to all persons who become holders of shares of Company Common Stock during the period between the record date for the Company Stockholders Meeting and the Effective Time. Elections shall be made by holders of shares of Company Common Stock and holders of Company Options that have become Exchanged Options by delivering the Form of Election to the Exchange Agent (as hereinafter defined). To be effective, a Form of Election must be properly completed, signed and submitted to and received by the Exchange Agent by no later than 5:00 p.m. (Eastern time) on the date that is five (5) Business Days after the Effective Time (the *Election Deadline*), and accompanied by (i)(A) the Certificates as to which the election is being made or (B) an appropriate guarantee of delivery of such Certificates as set forth in such Form of Election from a firm that is a member of a registered national securities exchange or of the NASDAQ or a commercial bank or trust company having an office or correspondent in the United States, provided such Certificates are in fact delivered to the Exchange Agent within three NYSE trading days after the date of execution of such guarantee of delivery (a *Guarantee of Delivery*), (ii) an agreement (*Exchange Agreement*), with respect to Company Options that have become Exchanged Options, and (iii) a properly completed and signed Letter of Transmittal.

(g) **Failure to Deliver; Defects.** Failure to deliver Certificates covered by any Guarantee of Delivery within three (3) NYSE trading days after the date of execution of such Guarantee of Delivery shall be deemed to invalidate any otherwise properly made Cash Election or Stock Election. Parent will have the discretion, which it may delegate in whole or in part to the Exchange Agent, to determine

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whether Forms of Election have been properly completed, signed and submitted or revoked and to disregard immaterial defects in Forms of Election. The good faith decision of Parent (or the Exchange Agent) in such matters shall be conclusive and binding. Neither Parent nor the Exchange Agent will be under any obligation to notify any person of any defect in a Form of Election submitted to the Exchange Agent. A Form of Election with respect to Dissenting Shares shall not be valid. The Exchange Agent shall also make all computations contemplated by this Section 2.7 and all such computations shall be conclusive and binding on the holders of shares of Company Common Stock, Exchanged Options and Exchanged Warrants in the absence of manifest error. Any Form of Election may be changed or revoked prior to the Election Deadline. In the event a Form of Election is revoked prior to the Election Deadline, Parent shall, or shall cause the Exchange Agent to, cause the Certificates representing shares of Company Common Stock covered by such Form of Election to be promptly returned without charge to the Person submitting the Form of Election upon written request to that effect from such Person.

(h) **Non-Elections; Dissenting Shares.** Subject to the immediately succeeding sentence, for the purposes hereof, a holder of shares of Company Common Stock who does not submit a Form of Election that is received by the Exchange Agent prior to the Election Deadline (including a holder who submits and then revokes his, her or its Form of Election and does not resubmit a Form of Election that is timely received by the Exchange Agent and otherwise complies with the terms and conditions hereof), or who submits a Form of Election without the other documents required by this Section 2.7, shall be deemed to have made a Non-Election. Holders of Dissenting Shares shall not be entitled to make an Election other than a holder of Dissenting Shares who withdraws or waives such holder's dissent pursuant to Section 262 of the DGCL and shall not be deemed to have made a Non-Election; the rights of such holders of Dissenting Shares shall be determined in accordance with Section 262 of the DGCL and Section 2.9. If any Form of Election is defective in any manner such that the Exchange Agent cannot reasonably determine the election preference of the stockholder submitting such Form of Election, the purported Cash Election or Stock Election set forth therein shall be deemed to be of no force and effect and the stockholder making such purported Cash Election or Stock Election shall, for purposes hereof, be deemed to have made a Non-Election.

2.8. **Exchange of Certificates.**

(a) **Exchange Agent.** As soon as practicable following the date of this Agreement, Parent shall appoint Computershare Investor Services LLC, or such other bank or trust company reasonably satisfactory to the Company, to act as exchange agent (the *Exchange Agent*) for the purpose of (i) receiving Forms of Election and determining, in accordance with this Article II, the form of Merger Consideration to be received by each holder of shares of Company Common Stock, Exchanged Options and Exchanged Warrants and (ii) exchanging the applicable Merger Consideration for shares of Company Common Stock, Exchanged Options and Exchanged Warrants.

(b) **Parent to Cause Deposit of Merger Consideration.** Prior to or on the Closing Date, Parent shall cause BV Sub to deposit with the Exchange Agent, for exchange in accordance with this Article II, the Merger Consideration payable pursuant hereto. The Merger Consideration deposited with the Exchange Agent shall hereinafter be referred to as the *Exchange Fund*. For the purposes of such deposit, Parent shall assume that there will not be any fractional shares of Parent Common Stock; provided, however, that at the time Parent determines the number of fractional shares to be paid in cash, it will promptly cause BV Sub to deposit with the Exchange Agent such additional amount necessary to make such payments. The Exchange Agent shall, pursuant to irrevocable instructions, deliver shares of Parent Common Stock and cash contemplated to be issued out of the Exchange Fund on the terms set forth herein. The Exchange Fund may not be used for any other purpose.

(c) **Exchange Procedures.** Upon surrender of a Certificate or Certificates for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by Parent, together with a Letter of Transmittal, duly completed and validly executed in accordance with the instructions thereto, an Exchange Agreement (if required) and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate, holder of a Company Option that has become an Exchanged Option or holder of a Company Warrant that has become an Exchanged Warrant, as applicable, subject to Section 2.8(e), shall be entitled to receive in exchange therefor the Merger Consideration to which such holder is entitled pursuant to this Article II, and the Certificate so surrendered shall forthwith be cancelled. The shares of Parent Common Stock constituting part of such Merger Consideration (if any), at Parent's option, shall be in uncertificated book-entry form, unless a physical certificate is requested by a holder or is otherwise required under Applicable Law. Until so surrendered, outstanding Certificates will be deemed from and after the Effective Time, for all corporate purposes, to evidence the ownership of the Merger Consideration into which such shares of Company Common Stock shall have been so converted.

(d) **Dividends and Distributions With Respect to Unexchanged Shares.** No dividends or other distributions with respect to Parent Common Stock constituting part of the Merger Consideration, and no cash payment in lieu of fractional shares as provided in Section 2.6(f), shall be paid to the holder of any Certificates not surrendered until such Certificates are surrendered or transferred, as the case may be, as provided in this Section 2.8. Subject to Applicable Law, following such surrender or transfer, there shall be paid, without interest, to the Person in whose name the securities of Parent have been registered, (i) at the time of such surrender or transfer, the amount of any cash payable in lieu of fractional shares to which such Person is entitled pursuant to Section 2.6(f), and the amount of all dividends or other distributions with a record date after the Effective Time previously paid or payable on the date of such surrender with respect to such securities and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time and prior to surrender or transfer and with a payment date subsequent to surrender or transfer payable with respect to such securities.

(e) **Payments to Persons Other than a Registered Holder.** If any portion of the Merger Consideration is to be paid to a Person other than the Person in whose name the surrendered Certificate is registered or, in the case of a Company Option that has become an Exchanged Option or a Company Warrant that has become an Exchanged Warrant, to a Person other than the Person named as the holder thereof, it shall be a condition to such payment that (i) in the case of a holder of Company Common Stock, (A) either such Certificate shall be properly endorsed or shall otherwise be in proper form for transfer and (B) the Person requesting such payment shall pay to the Exchange Agent any transfer or other Taxes required as a result of such payment to a Person other than the registered holder of such Certificate or establish to the satisfaction of Parent (or the Exchange Agent or any other agent designated by Parent) that such transfer or other Taxes have been paid or are otherwise not payable or (ii) in the case of an Exchanged Option or Exchanged Warrant, (A) the named holder of such Exchanged Option or Exchanged Warrant shall provide written instructions to the Exchange Agent authorizing such payment to such Person requesting such payment and (B) the Person requesting such payment shall pay to the Exchange Agent any transfer or other Taxes required as a result of such payment to a Person other than the named holder or establish to the satisfaction of Parent (or the Exchange Agent or any other agent designated by Parent) that such transfer or other Taxes have been paid or are otherwise not payable.

(f) **Withholding.** Each of the Exchange Agent, Parent, BV Sub and the Surviving Corporation shall deduct and withhold from any consideration payable or otherwise deliverable pursuant to this Agreement to any holder or former holder of shares of Company Common Stock, Exchanged Options or Exchanged Warrants such amounts as may be required to be deducted or withheld therefrom under United States federal or state, local or foreign law. To the extent that such

amounts are so deducted or withheld pursuant to this Section 2.8(f), such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

(g) **No Liability.** Notwithstanding anything to the contrary set forth in this Agreement, none of the Exchange Agent, Parent, BV Sub, the Surviving Corporation or any other party hereto shall be liable to a holder of shares of Parent Common Stock, Company Common Stock, Exchanged Options or Exchanged Warrants for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar Applicable Laws.

(h) **Investment of Exchange Fund.** The Exchange Agent shall invest the cash included in the Exchange Fund in direct obligations of the U.S. Treasury or otherwise with the consent of Parent, on a daily basis; provided, however, that no such investment or loss thereon shall affect the amounts payable to holders of Company Common Stock, Exchanged Options or Exchanged Warrants pursuant to this Article II. Any interest and other income resulting from such investment shall become a part of the Exchange Fund, and any amounts in excess of the amounts payable to holders of Company Common Stock, Exchanged Options or Exchanged Warrants pursuant to this Article II shall promptly be paid to Parent upon Parent's request. If for any reason (including losses) the amount of cash in the Exchange Fund shall be insufficient to fully satisfy all of the payment obligations of Parent to be made in cash by the Exchange Agent hereunder, Parent shall promptly deposit or cause to be deposited cash into the Exchange Fund an amount equal to the deficiency in the amount of cash required to fully satisfy such cash payment obligations.

(i) **Termination of Exchange Fund.** Any portion of the Exchange Fund that remains undistributed twelve (12) months after the Effective Time shall, at the request of the Surviving Corporation, be delivered to the Surviving Corporation or otherwise according to the instruction of the Surviving Corporation, and any holders of the Certificates who have not surrendered such Certificates in compliance with this Section 2.8 shall after such delivery to Surviving Corporation look only to Parent and the Surviving Corporation for payment of the Merger Consideration (and as a general creditor for the cash constituting the Merger Consideration, which cash shall not accrue interest) pursuant to Section 2.7, cash in lieu of any fractional shares pursuant to Section 2.6(f) and any dividends or other distributions pursuant to Section 2.8(d) with respect to the shares of Company Common Stock formerly represented thereby. Any amounts remaining unclaimed by holders of Company Common Stock after twenty-four (24) months following the Effective Time shall become, to the extent permitted by Applicable Law, the property of Parent, free and clear of any claims or interest of any Person previously entitled thereto.

2.9. **Dissenting Shares.** Notwithstanding anything in this Agreement to the contrary, shares of Company Common Stock issued and outstanding immediately prior to the Effective Time and held by a holder who has not voted in favor of the Merger and who has delivered a written demand for appraisal for such shares in accordance with Section 262 of the DGCL (a *Dissenting Stockholder*) shall not be converted into the right to receive the Merger Consideration as provided in this Article II, unless and until such holder fails to perfect or effectively withdraws or otherwise loses such holder's right to appraisal under applicable Delaware Law. A Dissenting Stockholder may receive payment of the fair value of the shares of Company Common Stock issued and outstanding immediately prior to the Effective Time and held by such Dissenting Stockholder (*Dissenting Shares*) in accordance with the provisions of applicable Delaware Law, provided that such Dissenting Stockholder complies with Section 262 of the DGCL. At the Effective Time, all Dissenting Shares shall be cancelled and cease to exist and shall represent only the right to receive the fair value thereof in accordance with applicable Delaware Law. Any Dissenting Shares as to which the holder later waives or withdraws a demand for appraisal shall be entitled to make an Election, subject to pro-rata to the same extent as if such holder surrendered such formerly Dissenting Shares promptly following the Effective Time subject to a valid Election. The Company shall provide Parent (a) prompt written notice of any written demands for

appraisal, withdrawals of demands for appraisal and any other instruments served under applicable Delaware Law, and (b) the opportunity to participate in and direct all negotiations, proceedings or settlements with respect to demands for appraisal under applicable Delaware Law. The Company shall not voluntarily make any payment with respect to any demands for appraisal and shall not, except with Parent's prior written consent, settle or offer to settle any such demands.

2.10. *Lost, Stolen or Destroyed Share Certificates.* In the event that any Certificates shall have been lost, stolen or destroyed, the Exchange Agent shall issue in exchange for such lost, stolen or destroyed Certificates, upon the making of a satisfactory affidavit of that fact by the holder thereof, such shares of Parent Common Stock, cash for fractional shares, if any, as may be required pursuant to Section 2.6(f) and any dividends or distributions payable pursuant to Section 2.8(d); provided, however, that Parent may, in its discretion and as a condition precedent to the issuance thereof, require the owners of such lost, stolen or destroyed Certificates to deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against Parent, the Surviving Corporation or the Exchange Agent with respect to the Certificates alleged to have been lost, stolen or destroyed.

2.11. *Tax Consequences.* It is intended by the parties hereto that the Merger constitute a reorganization within the meaning of Section 368(a) of the Code. The parties hereto adopt this Agreement as a plan of reorganization within the meaning of Treasury Regulations Sections 1.368-2(g) and 1.368-3(a).

2.12. *Further Action.* At and after the Effective Time, the officers and directors of Parent, BV Sub and the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of the Company and Merger Sub, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of Company and Merger Sub, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger.

2.13. *Restriction on Further Purchases of Shares.* From the date of this Agreement until the earlier to occur of the Effective Time or the termination of this Agreement, except pursuant to or as contemplated by this Agreement, Parent shall not (and shall cause its Subsidiaries not to) (i) acquire or make any proposal to acquire, directly or indirectly, any beneficial interest in shares of Company Common Stock or any options, warrants or other securities exercisable for shares of Company Common Stock, (ii) make or participate in any solicitation of proxies to vote, or seek to advise or influence any person with respect to the voting of any securities of the Company, or (iii) form, join or participate in a group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) with respect to any voting securities of the Company; provided, however, that the restrictions imposed by this Section 2.13 shall not apply to the Voting Agreements between Parent and the other parties thereto.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent, BV Sub and Merger Sub, subject to the exceptions specifically disclosed in the disclosure letter (referencing the appropriate section or subsection of this Agreement, as applicable) supplied by the Company to Parent dated as of the date hereof and certified by a duly authorized executive officer of the Company (the *Company Disclosure Letter*), as follows:

3.1. *Organization.*

(a) ***Organization; Good Standing; Power and Authority.*** The Company and each of its Subsidiaries is a corporation or other organization duly organized, validly existing and in good

standing under the laws of the jurisdiction of its incorporation or organization, except where the failure to be so organized, validly existing and in good standing would not reasonably be expected to have a Company Material Adverse Effect, and has the requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as currently conducted. The Company and each of its Subsidiaries is duly qualified to do business as a foreign entity and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary, except where the failure to be so qualified or in good standing would not have a Company Material Adverse Effect.

(b) **Charter Documents.** The Company has delivered or made available to Parent (i) a true and correct copy of the certificate of incorporation, including all certificates of designation thereto (the *Company Charter*), and bylaws of the Company (the *Company Bylaws*), each as amended and or restated to date (collectively, the *Company Charter Documents*) and (ii) the certificate of incorporation and bylaws, or like organizational documents (collectively, *Subsidiary Charter Documents*), of each of its Subsidiaries, and each such instrument is in full force and effect. The Company is not in violation of any of the provisions of the Company Charter Documents and each Subsidiary is not in violation of its respective Subsidiary Charter Documents.

(c) **Subsidiaries.** Section 3.1(c) of the Company Disclosure Letter sets forth each Subsidiary of the Company. The Company is the owner of all of the outstanding shares of capital stock of, or other equity or voting interests in, each such Subsidiary and all such shares have been duly authorized, validly issued and are fully paid and nonassessable, free and clear of all Liens or any other restrictions on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests, except for restrictions imposed by applicable securities laws. Other than the Subsidiaries of the Company, neither the Company nor any of its Subsidiaries owns any capital stock of, or other equity or voting interests of any nature in, or any interest convertible, exchangeable or exercisable for, capital stock of, or other equity or voting interests of any nature in, any other Person.

3.2. **Capitalization.**

(a) **Capital Stock.** The authorized capital stock of Company consists of: (i) 100,000,000 shares of Common Stock, par value \$0.01 (the *Company Common Stock*) and (ii) 30,000,000 shares of Company Preferred Stock, par value \$0.01 (the *Company Preferred Stock*). At the close of business on November 3, 2006: (i) 20,597,273 shares of Company Common Stock were issued and outstanding and (ii) no shares of Company Preferred Stock were issued or outstanding. No shares of Company Common Stock are owned or held by any Subsidiary of the Company. All outstanding shares of Company Common Stock are duly authorized, validly issued, fully paid and non-assessable and are not subject to preemptive rights created by statute, the Company Charter Documents, or any agreement to which the Company is a party or by which it is bound.

(b) **Company Options and Warrants.** As of the close of business on November 3, 2006: (i) 2,481,123 shares of Company Common Stock are issuable upon the exercise of outstanding Company Options granted under the Company's Amended and Restated 1999 Long-term Incentive Plan, Amended and Restated 1999 Non-Employees' Stock Plan and 2005 Long-Term Incentive Plan (collectively, the *Company Stock Option Plans*) or otherwise, (ii) the weighted average exercise price of such Company Options is \$3.03 and 1,560,734 such Company Options are vested and exercisable, (iii) 1,284,998 shares of Company Common Stock are available for future grant under the Company Stock Option Plans, (iv) 0 shares of Company Common Stock are issuable pursuant to Company Options that have been granted other than pursuant to the Company Stock Option Plans, and (v) 1,073,122 shares of Company Common Stock are issuable pursuant to outstanding Company Warrants. Section 3.2(b) of the Company Disclosure Letter sets forth (A) a list of each outstanding Company Option and Company Warrant, (B) the particular Company Stock Option Plan (if any) pursuant to which any such Company Option was granted, (C) the name of the holder of each Company Option or Company Warrant, (D) the number of shares of Company Common Stock subject to each Company Option and Company Warrant, (E) the exercise price of each Company Option and Company Warrant, (F) the date of grant or issue for each Company Option and Company Warrant, (G) the applicable vesting schedule, if any, and the extent to which each Company Option and Warrant is vested and exercisable as of the date hereof, (H) the date on which each Company Option and Company Warrant expires and (I) details regarding the acceleration of vesting, if any. All shares of Company Common Stock subject to issuance under the Company Stock Option Plans and underlying Company Warrants, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, would be duly authorized, validly issued, fully paid and nonassessable. There are no commitments or agreements of any character to which the Company is bound obligating the Company to accelerate the vesting of any Company Option or Company Warrant as a result of the Merger (whether alone or upon the occurrence of any additional or subsequent events). There are no outstanding or authorized stock appreciation, phantom stock, profit participation or other similar rights with respect to the Company.

(c) **Other Securities.** Except as described in this Section 3.2 or in Section 3.2(c) of the Company Disclosure Letter, as of the date hereof, there are no securities, options, warrants, calls, rights, contracts, commitments, agreements, instruments, arrangements, understandings, obligations or undertakings of any kind to which the Company or any of its Subsidiaries is a party or by which any of them is bound obligating the Company or any of its Subsidiaries to (including on a deferred basis) issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock, or other voting securities of the Company or any of its Subsidiaries, or obligating the Company or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, instrument, arrangement, understanding, obligation or undertaking. There are no outstanding Contracts of the Company or any of its Subsidiaries to (i) repurchase, redeem or otherwise acquire any shares of capital stock of, or other equity or voting interests in, the Company or any of its Subsidiaries or (ii) dispose of any shares of the capital stock of, or other equity or voting interests in, any of its Subsidiaries. The Company is not a party to any voting agreement with respect to shares of the capital stock of, or other equity or voting interests in, the Company or any of its Subsidiaries and, to the Knowledge of the Company, other than the Voting Agreements and the irrevocable proxies granted pursuant to the Voting Agreements, there are no irrevocable proxies and no voting agreements, voting trusts, rights plans, anti-takeover plans or registration rights agreements with respect to any shares of the capital stock of, or other equity or voting interests in, the Company or any of its Subsidiaries.

3.3. **Authority; No Conflict; Necessary Consents.**

(a) **Authority.** The Company has all requisite power and authority to enter into this Agreement and to consummate the Merger and the transactions contemplated hereby, subject, in the

case of consummation of the Merger, to obtaining the approval and adoption of this Agreement and the approval of the Merger by the Company's stockholders by the Requisite Stockholder Approval. Assuming the accuracy of the representations and warranties made by Parent, BV Sub and Merger Sub in Section 4.12, the execution and delivery of this Agreement and the consummation of the Merger and the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company and no further action is required on the part of the Company to authorize the execution and delivery of this Agreement or to consummate the Merger and the other transactions contemplated hereby, subject only to the Requisite Stockholder Approval and the filing of the Certificate of Merger pursuant to Delaware law. Assuming the accuracy of the representations and warranties made by Parent, BV Sub and Merger Sub in Section 4.12, the affirmative vote of the holders of a majority of the outstanding shares of Company Common Stock (the *Requisite Stockholder Approval*) is the only vote of the holders of any class or series of Company capital stock necessary to approve or adopt this Agreement, approve the Merger and consummate the Merger and the other transactions contemplated hereby. The Board of Directors of the Company has, by resolution adopted by unanimous vote at a meeting of all Directors duly called and held and not subsequently rescinded or modified in any way (except as may be permitted in accordance with Section 6.2), duly (i) determined that the Merger is fair to, and in the best interest of, the Company and its stockholders and declared the Merger to be advisable, (ii) approved this Agreement and the transactions contemplated hereby, including the Merger, and (iii) recommended that the stockholders of the Company approve and adopt this Agreement and approve the Merger and directed that such matter be submitted to the Company's stockholders at the Company Stockholders Meeting. This Agreement has been duly executed and delivered by the Company and assuming due authorization, execution and delivery by Parent, BV Sub and Merger Sub, constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and except insofar as the availability of equitable remedies may be limited by Applicable Law.

(b) **No Conflict.** The execution and delivery by the Company of this Agreement, and the consummation of the transactions contemplated hereby, will not (i) conflict with or violate any provision of the Company Charter Documents or any Subsidiary Charter Documents, (ii) subject to the Requisite Stockholder Approval and compliance with the requirements set forth in Section 3.3(c), conflict with or violate any Applicable Law, or (iii) result in any material breach of or constitute a material default (or an event that with notice or lapse of time or both would become a material default) under, or materially impair the Company's rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien on any of the properties or assets of the Company or any of its Subsidiaries pursuant to, any Company Material Contract except, in the case of each of the preceding clauses (i), (ii) and (iii) for any conflict, violation, breach, default, impairment, alteration, giving of rights or Lien which would not reasonably be expected to result in a Company Material Adverse Effect or materially adversely affect the ability of the Company to consummate the Merger within the time frame in which the Merger would otherwise be consummated in the absence of such conflict, violation, breach, default, impairment, alteration, giving of rights or Lien.

(c) **Necessary Consents.** No consent, waiver, approval, order or authorization of, or registration, declaration or filing with any supranational, national, state, municipal, local or foreign government, any instrumentality, subdivision, court, administrative agency or commission or other governmental authority or instrumentality, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority (a *Governmental Authority*) or any other Person is required to be obtained or made by the Company in connection with the execution and delivery of this Agreement or the consummation of the Merger and other transactions contemplated hereby and thereby, except for (i) the filing of the Certificate of Merger with

the Secretary of State of the State of Delaware and appropriate documents with the relevant authorities of other states in which the Company and/or Parent are qualified to do business, (ii) the filing of the Proxy Statement with the SEC in accordance with the Securities Exchange Act of 1934, as amended (the *Exchange Act*), (iii) the filing and effectiveness of the Registration Statement with the SEC in accordance with the Securities Act of 1933, as amended (the *Securities Act*), (iv) the filing of the Notification and Report Forms with the United States Federal Trade Commission (*FTC*) and the Antitrust Division of the United States Department of Justice (*DOJ*) required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (*HSR Act*) and the expiration or termination of the applicable waiting period under the HSR Act and such consents, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under the foreign merger control regulations identified in Section 4.3(c) of the Parent Disclosure Letter, (v) such other consents, waivers, approvals, orders, authorizations, registrations, declarations and filings which if not obtained or made would not be material to the Company and its Subsidiaries taken as a whole or Parent and its Subsidiaries taken as a whole or materially adversely affect the ability of the parties hereto to consummate the Merger within the time frame in which the Merger would otherwise be consummated in the absence of the need for such consent, waiver, approval, order, authorization, registration, declaration or filing. The consents, approvals, orders, authorizations, registrations, declarations and filings set forth in (i) through (iv) above are referred to herein collectively as the *Necessary Governmental Consents*. Section 3.3(c)(i) and 3.3(c)(ii) of the Company Disclosure Letter provides a list of all Persons, other than Governmental Authorities, whose consent is required to be obtained by the Company in connection with the execution and delivery of this Agreement or the consummation of the Merger and other transactions contemplated hereby and thereby, including all consents with respect to Material Contracts.

3.4. *SEC Filings; Financial Statements; Internal Controls.*

(a) ***SEC Filings.*** The Company has filed all required registration statements, prospectuses, reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated by reference) required to be filed by it with the SEC. All such required registration statements, prospectuses, reports, schedules, forms, statements and other documents (including those that the Company may file subsequent to the date hereof) are referred to herein as the *Company SEC Reports*. As of their respective dates, the Company SEC Reports (i) were prepared in accordance and complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Company SEC Reports and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement then on the date of such amended or superceding filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. None of the Company's Subsidiaries is required to file any forms, reports or other documents with the SEC. The Company has previously furnished to Parent a complete and correct copy of any amendments or modifications, which have not yet been filed with the SEC but which are required to be filed, to agreements, documents or other instruments which previously had been filed by Company with the SEC pursuant to the Securities Act or the Exchange Act. The Company has responded to all comment letters of the staff of the SEC relating to the Company SEC Reports, and the SEC has not advised the Company that any final responses are inadequate, insufficient or otherwise non-responsive. The Company has made available to Parent true, correct and complete copies of all correspondence between the SEC, on the one hand, and the Company and any of its Subsidiaries, on the other, including all SEC comment letters and responses to such comment letters by or on behalf of the Company. To the Company's Knowledge, none of the Company SEC Reports is the subject of ongoing SEC review or outstanding SEC comment. The Company and, to the Company's Knowledge, each of its officers and directors are in compliance with, and have complied, in each case in all material respects with (i) the applicable provisions of the

Sarbanes-Oxley Act of 2002 (the *Sarbanes-Oxley Act*) and the related rules and regulations promulgated under or pursuant to such act and (ii) the applicable listing and corporate governance rules and regulations of NASDAQ. Each required form, report and document containing financial statements that has been filed with or submitted to the SEC by the Company was accompanied by the certifications required to be filed or submitted by the Company's chief executive officer and/or chief financial officer, as required, pursuant to the Sarbanes-Oxley Act and, at the time of filing or submission of each such certification, such certification was true and accurate and complied with the Sarbanes-Oxley Act. Neither the Company nor, to the Company's Knowledge, any of its executive officers has received notice from any Governmental Authority challenging or questioning the accuracy, completeness, form or manner of filing such certifications.

(b) **Financial Statements.** The consolidated financial statements (including, in each case, any related notes thereto) of the Company contained in the Company SEC Reports (the *Company Financials*) (i) comply as to form in all material respects with the published rules and regulations of the SEC with respect thereto, (ii) have been prepared in accordance with United States generally accepted accounting principles (*GAAP*) applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of unaudited interim financial statements, as may be permitted by the SEC on Form 10-Q, Form 8-K or any successor form under the Exchange Act), and (iii) fairly and accurately presented in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the respective date or dates thereof and the consolidated results of the Company's operations and cash flows for the periods then ended. The Company does not intend to correct or restate, nor is there any basis for any correction or restatement of, any aspect of the Company Financials. The balance sheet of the Company contained in the Company SEC Reports as of December 31, 2005 is hereinafter referred to as the *Company Balance Sheet*. Except as disclosed in the Company Financials, since the date of the Company Balance Sheet, neither the Company nor any of its Subsidiaries has any liabilities (absolute, accrued, contingent or otherwise) of a nature required to be disclosed on a consolidated balance sheet or in the related notes to the consolidated financial statement prepared in accordance with GAAP, except for liabilities incurred since the date of the Company Balance Sheet in the ordinary course of business consistent with past practices. The Company has not had any unresolved dispute with any of its auditors regarding accounting matters or policies during any of its past three full years or during the current fiscal year-to-date. The books and records of the Company and each Subsidiary have been, and are being maintained in all material respects in accordance with applicable legal and accounting requirements and the Company Financials are consistent with such books and records. Neither the Company nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract relating to any transaction or relationship between or among the Company or any of its Subsidiaries, on the one hand, and any unconsolidated affiliate, including any structured finance, special purpose or limited purpose Person, on the other hand, or any off-balance sheet arrangements (as defined in Item 303(a) of Regulation S-K).

(c) **Internal Controls.** The Company and each of its Subsidiaries has established and maintains, adheres to and enforces a system of internal controls which are sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP (including the Company Financials), including policies and procedures that (i) require the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company and its Subsidiaries, (ii) provide reasonable assurance that material information relating to the Company and its Subsidiaries is promptly made known to the officers responsible for establishing and maintaining the system of internal controls, (iii) provide assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company and its Subsidiaries are being made only in accordance with appropriate authorizations

of management and the Board of Directors of the Company, (iv) provide reasonable assurance that access to assets is permitted only in accordance with management's general or specific authorization, (v) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Company and its Subsidiaries, and (vi) provide reasonable assurance that any significant deficiencies or material weaknesses in the design or operation of internal controls which are reasonably likely to materially and adversely affect the ability to record, process, summarize and report financial information, and any fraud, whether or not material, that involves the Company's management or other Employees who have a role in the preparation of financial statements or the internal controls utilized by the Company and its Subsidiaries, are adequately and promptly disclosed to the Company's independent auditors and the audit committee of the Company's Board of Directors. Neither the Company nor any of its Subsidiaries (including, to the Company's Knowledge, any Employee thereof) nor the Company's independent auditors has identified or been made aware of (A) any significant deficiency or material weakness in the system of internal controls utilized by the Company and its Subsidiaries (other than a significant deficiency or material weakness that has been disclosed to the Audit Committee of the Board of Directors of the Company, and, in the case of a material weakness, that has been disclosed as required in the Company SEC Reports), (B) any fraud, whether or not material, that involves the Company's management or other Employees who have a role in the preparation of financial statements or the internal controls utilized by the Company and its Subsidiaries or (C) any claim or allegation regarding any of the foregoing (other than claims or allegations that have been duly investigated and found not to involve any of the foregoing).

(d) **Accounting and Auditing Practices.** Neither the Company nor any of its Subsidiaries nor, to the Company's Knowledge, any director, officer, employee, auditor, accountant, consultant or representative of the Company or any of its Subsidiaries has received or otherwise had or obtained knowledge of any substantive complaint, allegation, assertion or claim, whether written or oral, that the Company or any of its Subsidiaries has engaged in questionable accounting or auditing practices. No current or former attorney representing the Company or any of its Subsidiaries has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by the Company or any of its officers, directors, employees or agents to the Board of Directors of the Company or any committee thereof or to any director or executive officer of the Company.

(e) **Section 806 of the Sarbanes-Oxley Act.** To the Company's Knowledge, no employee of the Company or any of its Subsidiaries has provided or is providing information to any law enforcement agency regarding the commission or possible commission of any crime or the violation or possible violation of any applicable legal requirements of the type described in Section 806 of the Sarbanes-Oxley Act by the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries nor, to the Knowledge of the Company, any director, officer, employee, contractor, subcontractor or agent of the Company or any such Subsidiary has discharged, demoted, suspended, threatened, harassed or in any other manner discriminated against an employee of the Company or any of its Subsidiaries in the terms and conditions of employment because of any lawful act of such employee described in Section 806 of the Sarbanes-Oxley Act.

3.5. **Absence of Certain Changes or Events.** Other than as disclosed in Section 3.5 of the Company Disclosure Letter, from the date of the Company Balance Sheet through the date of this Agreement, there has not been, accrued or arisen:

(a) any Company Material Adverse Effect;

(b) any acquisition by the Company or any Subsidiary of, or agreement by the Company or any Subsidiary to acquire by merging or consolidating with, or by purchasing any assets or equity securities of, or by any other manner, any business or corporation, partnership, association or other business organization or division thereof, or other acquisition or agreement to acquire any assets or

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any equity securities that are material, individually or in the aggregate, to the business of the Company;

- (c) any Contract, agreement in principle, letter of intent, memorandum of understanding or similar agreement with respect to any material joint venture, strategic partnership or alliance;
- (d) any declaration, setting aside or payment of any dividend on, or other distribution (whether in cash, stock or property) in respect of, any of the Company's or any of its Subsidiaries' capital stock, or any purchase, redemption or other acquisition by the Company or any of its Subsidiaries of any of the Company's capital stock or any other securities of the Company or its Subsidiaries or any options, warrants, calls or rights to acquire any such shares or other securities;
- (e) any split, combination or reclassification of any of the Company's or any of its Subsidiaries' capital stock;
- (f) any granting by the Company or any of its Subsidiaries, whether orally or in writing, of any increase in compensation or fringe benefits or any payment by the Company or any of its Subsidiaries of any bonus or any change by the Company or any of its Subsidiaries of severance, termination or bonus policies and practices or any entry by the Company or any of its Subsidiaries into any currently effective employment, severance, termination or indemnification agreement or any agreement the benefits of which are contingent or the terms of which are materially altered upon the occurrence of a transaction involving the Company of the nature contemplated hereby (either alone or upon the occurrence of additional or subsequent events), other than such actions taken in the ordinary course of business consistent with past practices with respect to Employees who are not officers or directors of the Company;
- (g) any amendment, termination or consent with respect to any Company Material Contract, Contract required to be disclosed in Section 3.17(b) of the Company Disclosure Letter;
- (h) any material change by the Company in its accounting methods, principles or practices, except as required by concurrent changes in GAAP;
- (i) any debt, capital lease or other debt or equity financing transaction by the Company or any of its Subsidiaries or entry into any agreement by the Company or any of its Subsidiaries in connection with any such transaction, except for capital lease and receivables financings entered into in the ordinary course of business consistent with past practices which are not individually or in the aggregate material to the Company and its Subsidiaries taken as a whole;
- (j) any sale, lease, mortgage, pledge, license, encumbrance or other disposition of any properties or assets except the sale, lease, mortgage, pledge license, encumbrance or disposition of property or assets which are not material, individually or in the aggregate to the business of the Company;
- (k) any material purchases of fixed assets, spares or other long-term assets other than in the ordinary course of business and in a manner consistent with past practices;
- (l) any material revaluation, or any indication that such a revaluation was merited under GAAP, by the Company of any of its assets, including, writing down the value of capitalized inventory, spares, long term or short-term investments, fixed assets, goodwill, intangible assets, deferred tax assets, or writing off notes or accounts receivable other than in the ordinary course of business consistent with past practices; or
- (m) any damage, destruction or other casualty loss (whether or not covered by insurance) with respect to any assets that, individually or in the aggregate, are material to the Company and its Subsidiaries taken as a whole.

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3.6. **Taxes.**

(a) For purposes of this Agreement:

(i) *Relevant Group* means any affiliated, combined, consolidated, unitary or similar group of which the Company or any of its Subsidiaries (or, with respect to Parent, BV Sub or Merger Sub) is or was a member.

(ii) *Tax* or *Taxes* means all federal, state, local or foreign, net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add-on minimum, environmental, profits, windfall profits, transaction, license, lease, service, use, occupation, severance, energy, unemployment, social security, worker's compensation, capital, premium, or other taxes, assessments, customs, duties, fees, levies, or other governmental charges in the nature of a tax, whether disputed or not, together with any interest, penalties, additions to tax, or additional amounts with respect thereto.

(iii) *Tax Return* means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

(iv) *Transfer Taxes* means sales, use, transfer, real property transfer, recording, documentary, stamp, registration, stock transfer, and other similar taxes and fees (including any penalties and interest).

(b) All material Tax Returns required to have been filed by or with respect to the Company and any of its Subsidiaries or a Relevant Group have been duly and timely filed, and each such Tax Return is true and accurate in all material respects and correctly and completely reflects in all material respects liability for Taxes and all other information required to be reported thereon. All material Taxes required to be paid by the Company and any of its Subsidiaries or a Relevant Group (whether or not shown on any Tax Return) have been timely paid. The Company and its Subsidiaries have adequately provided for liabilities for all material unpaid Taxes in the Company Financials, which liabilities represent current Taxes not yet due and payable, in accordance with GAAP.

(c) There is no action, audit, dispute or claim pending, or to the Company's Knowledge, threatened against, or with respect to, the Company or any of its Subsidiaries in respect of any Taxes. None of the Company or its Subsidiaries is the beneficiary of any extension of time within which to file any Tax Return, nor have any of them made (or had made on their behalf) any requests for such extensions. No claim has ever been made in writing by a Governmental Authority in a jurisdiction where the Company or any of its Subsidiaries does not file Tax Returns that any of them is or may be subject to taxation by that jurisdiction or that any of them must file Tax Returns. There are no Liens on any of the capital or assets of the Company or any of its Subsidiaries with respect to Taxes, other than Liens for Taxes that are not yet due and payable.

(d) Each of the Company and its Subsidiaries has withheld and timely paid all material Taxes required to have been withheld and paid, and has collected and remitted all Taxes (including all sales and use Taxes), required to be collected and remitted, and has complied with all information reporting and backup withholding requirements.

(e) Section 3.6 of the Company Disclosure Letter: (i) lists all federal, state, local, and foreign Tax Returns filed with respect to the Company and its Subsidiaries for taxable periods ended on or after December 31, 2001, (ii) indicates those Tax Returns that have been audited, and (iii) indicates those Tax Returns that currently are the subject of audit. The Company has delivered or made available to Parent correct and complete copies of all federal Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by the Company or its Subsidiaries since

January 1, 2001. None of the Company or its Subsidiaries has waived (or is subject to a waiver of) any statute of limitations in respect of Taxes or has agreed to (or is subject to) any extension of time with respect to a Tax assessment or deficiency.

(f) None of the Company or any of its Subsidiaries has ever been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code.

(g) None of the Company or any of its Subsidiaries has agreed to or is required to make by reason of a change in accounting method or otherwise, or could be required to make by reason of a proposed change in accounting method or otherwise, any adjustment under Section 481(a) of the Code. None of the Company or any of its Subsidiaries has been the distributing corporation or the controlled corporation with respect to a transaction described in Section 355 of the Code. None of the Company or any of its Subsidiaries has received (or is subject to) any private ruling from any taxing authority or has entered into (or is subject to) any agreement with a taxing authority. None of the Company or any of its Subsidiaries has engaged in a reportable transaction as defined in Treasury Regulation Section 1.6011-4.

(h) None of the Company or any of its Subsidiaries is a party to any Tax allocation or sharing agreement. None of the Company or any of its Subsidiaries has any liability for the Taxes of any other Person, other than under Section 1.1502-6 of the Treasury regulations (or any similar provision of state, local, or foreign law) with respect to any Relevant Group of which the Company or any of its Subsidiaries currently is a member, (i) as a transferee or successor, (ii) by contract, (iii) under Section 1.1502-6 of the Treasury regulations (or any similar provision of state, local or foreign law), or (iv) otherwise. Except as set forth in Section 3.6 of the Company Disclosure Letter, none of the Company or any of its Subsidiaries is a party to any joint venture, partnership or other arrangement that is treated as a partnership for federal income tax purposes.

(i) None of the Company or any of its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (i) intercompany transactions or excess loss accounts described in Treasury regulations under Section 1502 of the Code (or any similar provision of state, local, or foreign Tax law), (ii) installment sale or open transaction disposition made on or prior to the Closing Date or (iii) prepaid amount received on or prior to the Closing Date.

3.7. *Title to Properties.*

(a) ***Owned and Leased Properties.*** Neither the Company nor any of its Subsidiaries has ever owned any real property. Section 3.7(a) of the Company Disclosure Letter sets forth a separate list of all real property currently leased, licensed or subleased by the Company or any of its Subsidiaries or otherwise used or occupied by the Company or any of its Subsidiaries (the *Real Property*), the name of the lessor, licensor, sublessor, master lessor and/or lessee and the date of the lease, license, sublease or other occupancy right and each amendment thereto. All such current leases which are material to the Company and its Subsidiaries taken as a whole are in full force and effect, are valid and effective in accordance with their respective terms, and there is not, under any of such leases, any existing material default or material event of default (or event which with notice or lapse of time, or both, would constitute a material default) by the Company or any of its Subsidiaries, or, to the Company's Knowledge, by any other party thereto. The Company or its Subsidiaries currently occupies all of the Real Property for the operation of its business. No parties other than the Company or any of its Subsidiaries have a right to occupy any material Real Property, except for subleases described in the Company Disclosure Letter pursuant to which third parties have the right to occupy Real Property. The Real Property and the physical assets of the Company and the Subsidiaries are, in all material respects, in good condition and repair (ordinary wear and tear excepted) and regularly maintained in accordance with standard industry practices and, to the Company's Knowledge, the Real Property is in compliance, in all materials respects, with Applicable

Laws. Neither the Company nor any of its Subsidiaries will be required to incur any material cost or expense for any restoration or surrender obligations, or any other costs otherwise qualifying as asset retirement obligations under Financial Accounting Standards Board Statement of Financial Accounting Standard No. 143 Accounting for Asset Retirement Obligations, upon the expiration or earlier termination of any leases or other occupancy agreements for the Real Property. The Company and each of its Subsidiaries has performed all of its obligations under any material termination agreements pursuant to which it has terminated any leases of real property that are no longer in effect and has no material continuing liability with respect to such terminated real property leases.

(b) **Lease Documents.** The Company has provided Parent true, correct and complete copies of all leases, lease guaranties, agreements for the leasing, use or occupancy of, or otherwise granting to the Company and its Subsidiaries a right to occupy the Real Property, including all amendments, terminations and modifications thereof (the *Lease Documents*); and there are no other Lease Documents affecting the Real Property or to which the Company or any of its Subsidiaries is bound, other than those identified in Section 3.7(b) of the Company Disclosure Letter.

(c) **Title.** The Company and each of its Subsidiaries has good and marketable title to, or, in the case of leased properties and assets, valid leasehold interests in, all of its material tangible properties and assets, real, personal and mixed, used or held for use in its business, free and clear of any Liens except (i) as reflected in the Company Balance Sheet, (ii) Liens for Taxes not yet due and payable or delinquent or being contested in good faith by appropriate proceedings for which reserves have been established in accordance with GAAP and (iii) easements, covenants, conditions and restrictions and such other imperfections of title and encumbrances, if any, which do not in any material respect detract from the value or interfere with the present use of the property subject thereto or affected thereby. The rights, properties and assets presently owned, leased or licensed by the Company and its Subsidiaries include all rights, properties and assets necessary to permit the Company and its Subsidiaries to conduct their business in all material respects in the same manner as their businesses have been conducted prior to the date hereof.

3.8. *Intellectual Property.*

(a) **Definitions.** For all purposes of this Agreement, the following terms shall have the following respective meanings:

Company Intellectual Property shall mean any and all Intellectual Property Rights that are owned by, or licensed to, the Company or its Subsidiaries.

Company Products shall mean all products and services that have been developed by or for the Company or any of its Subsidiaries and/or are owned, made, provided, distributed, imported, sold or licensed to third Persons by or on behalf of the Company or any of its Subsidiaries.

Company Registered Intellectual Property shall mean the applications, registrations and filings for Intellectual Property Rights that are owned by the Company or that have been registered, filed, certified or otherwise perfected or recorded with or by any Governmental Authority by or in the name of the Company or any of its Subsidiaries or licensed to the Company or any of its Subsidiaries.

Intellectual Property shall mean any or all of the following (i) works of authorship including computer programs, source code, and executable code, whether embodied in software, firmware or otherwise, architecture, documentation, designs, files, records, and data, (ii) inventions (whether or not patentable), discoveries, improvements, and technology, (iii) proprietary and confidential information, trade secrets and know how, (iv) databases, data compilations and collections and technical data, (v) logos, trade names, trade dress, trademarks and service marks, (vi) domain names, web addresses and sites, (vii) tools, methods and processes, (viii) devices, prototypes, schematics, breadboards, netlists, maskworks, test methodologies, verilog files, emulation and simulation reports,

test vectors and hardware development tools, and (ix) any and all instantiations of the foregoing in any form and embodied in any medium.

Intellectual Property Rights shall mean worldwide common law and statutory rights associated with (i) patents, patent applications and inventors' certificates, (ii) copyrights, copyright registrations and copyright applications, moral rights and mask work rights, (iii) the protection of trade and industrial secrets and confidential information (*Trade Secrets*), (iv) trademarks, trade names and service marks, (v) divisions, continuations, renewals, reissuances, extensions and any foreign equivalents of the foregoing (as applicable) and (vii) analogous rights to those set forth above, including the right to enforce and recover remedies for infringement or misappropriation of any of the foregoing.

Shrink-Wrapped Code means (a) generally commercially available binary code (other than development tools and development environments) where available for a cost of not more than U.S. \$20,000 for a perpetual license for a single user or work station (or \$150,000 in the aggregate for all users and work stations), and (b) generally commercially available software programs that are not Company Products and are used internally by the Company in the ordinary course of business.

Source Code shall mean computer software and code, in form other than object code form, including, to the extent currently prepared and in existence, any related programmer comments and annotations, help text, data and data structures, instructions and procedural, object-oriented and other code, which may be printed out or displayed in human readable form.

(b) **No Default/No Conflict.** All unexpired written Contracts relating to either (i) Company Intellectual Property, or (ii) Intellectual Property or Intellectual Property Rights of a third Person licensed to the Company or any of its Subsidiaries, are valid and in full force and effect, and enforceable in accordance with their terms. The consummation of the transactions contemplated by this Agreement will neither violate nor by their terms result in the breach, modification, cancellation, termination, suspension of, or acceleration of any payments with respect to, such Contracts, subject to obtaining any consents and approvals as are set forth in Section 3.8(b) of the Company Disclosure Letter. Each of the Company and its Subsidiaries is in material compliance with, and has not breached any material term of any such Contracts or committed or failed to perform any act which, with or without notice, lapse of time or both would constitute a default under the provisions of any such Contract and, to the Knowledge of the Company, all other parties to such Contracts are in material compliance with, and have not breached any material term of, such Contracts. Following the Closing Date, and subject to obtaining any consents and approvals as are set forth in Section 3.8(b) of the Company Disclosure Letter, the Surviving Corporation will be permitted to exercise all of the Company's and its Subsidiaries' rights under such Contracts to the same extent the Company and its Subsidiaries would have been able to had the transactions contemplated by this Agreement not occurred and without the payment of any additional amounts or consideration other than ongoing fees, royalties or payments which the Company or any of its Subsidiaries would otherwise be required to pay.

(c) **No Infringement.** To the Knowledge of the Company, the operation of the business of the Company and its Subsidiaries as it is currently conducted or proposed to be conducted, including the design, development, use, import, branding, advertising, promotion, marketing, manufacture and sale of any Company Product, has not and does not infringe or misappropriate any Intellectual Property Rights of any third Person, or constitute unfair competition or trade practices under the laws of any jurisdiction.

(d) **Notice.** Neither the Company nor any of its Subsidiaries has received notice, written or otherwise, from any third Person claiming that any Company Product or the operation of the business of the Company or its Subsidiaries infringes or misappropriates any Intellectual Property Rights of any third Person or constitutes unfair competition or trade practices under the laws of any jurisdiction. Neither the Company nor any of its Subsidiaries has received notice, written or otherwise, from any third Person challenging the complete and exclusive ownership of or right to use the Company Intellectual Property, or suggesting that any third Person has any claim of legal or beneficial ownership with respect thereto. Neither the Company nor any of its Subsidiaries has received any notice, written or otherwise, challenging, terminating, amending or affecting the interest of the Company or its Subsidiaries, in the Company Intellectual Property.

(e) **Transaction.** Neither this Agreement nor the transactions contemplated by this Agreement, including any assignment to Parent by operation of law as a result of the Merger of any material written contracts or agreements to which the Company or any of its Subsidiaries is a party, will result in Parent, any of its subsidiaries or the Surviving Corporation being obligated under such written contracts or agreements to pay any royalties or other material amounts, or offer any discounts, to any third party in excess of those payable by, or required to be offered by, the Company or any of them, respectively, its Subsidiaries in the absence of this Agreement or the transactions contemplated hereby, subject to obtaining any consents and approvals required to be obtained in connection with any such written contracts and agreements.

(f) **Intellectual Property.** Each of the Company and its Subsidiaries has taken commercially reasonable steps to obtain, maintain and protect the Company Intellectual Property. Without limiting the foregoing, each of the Company and its Subsidiaries has, and has implemented, a policy requiring each current and former employee, consultant and contractor to execute sufficient information and confidentiality agreements and all current and former employees, consultants and contractors of the Company or any Subsidiary that have created any material Company Intellectual Property have executed such agreements and either: (i) is a party to a work made for hire agreement or arrangement under which the Company or any Subsidiary is deemed to be the original owner/author of all right, title and interest in the Company Intellectual Property; or (ii) has executed a valid, enforceable and irrevocable assignment of or a valid and enforceable agreement to irrevocably assign in favor of the Company or any Subsidiary all right, title and interest in the Company Intellectual Property. The Company or its Subsidiaries own all right, title and interest in and to or otherwise have the right to use all Company Intellectual Property, subject to the terms of any applicable Contracts to which the Company or any of its Subsidiaries is a party and under which the Company or any of its Subsidiaries has been granted or provided any rights to Intellectual Property or Intellectual Property Rights by a third party, free and clear of all Liens or claims of others.

(g) **Section 3.8(g)** of the Company Disclosure Letter lists all Company Registered Intellectual Property. To the Knowledge of the Company, the Company and its Subsidiaries is current as of the date hereof and will be current as of the Closing Date in (A) the payment of all necessary registration, maintenance and renewal fees owing in connection with such Company Registered Intellectual Property and (B) the filing of documents that are required to be filed with the relevant patent, copyright, trademark or other authorities in the United States or foreign jurisdictions, as the case may be, for the purposes of obtaining and maintaining such Company Registered Intellectual Property. Section 3.8(g) of the Company Disclosure Letter lists all actions, including the making of any payments that need to be taken with the applicable registering governmental agency within 120 days of the date hereof to maintain, renew or preserve the rights of Company in any of the Company Registered Intellectual Property. To the Knowledge of the Company, all of the Company Registered Intellectual Property is valid and subsisting. To the Knowledge of the Company, the Company has not taken or failed to take any action, including with respect to disclosure of information in the application for or prosecution of any Company Registered Intellectual Property that would render such Company

Registered Intellectual invalid or unenforceable. No Company Registered Intellectual Property is involved in any interference, reissue, reexamination, opposition or cancellation proceeding or any other material Legal Proceeding of any kind in the United States or in any other jurisdiction.

(h) **No Order.** The Company has not received any notice that any Company Intellectual Property or Company Product is subject to any proceeding or outstanding decree, order, judgment, settlement agreement, forbearance to sue, consent, stipulation or similar obligation that restricts in any manner the use, transfer or licensing thereof by the Company or any of its Subsidiaries or may affect the validity, use or enforceability of such Company Intellectual Property or Company Product.

(i) **Open Source.** No open source, public source or freeware software, or any modification or derivative thereof, including any version of any software licensed pursuant to any GNU general public license or limited general public license or other software that is licensed pursuant to a license that purports to require the distribution of or access to Source Code or purports to restrict a licensee's ability to charge for distribution of or to use software for commercial purposes (collectively *Open Source*), was incorporated into or integrated or bundled with, any Company Products. Section 3.8(i) of the Company Disclosure Letter sets forth a list of all Open Source that is incorporated into or integrated or bundled with any Company Product and for each such use of Open Source: (i) a description of the Open Source, (ii) name of the applicable license, (iii) the applicable Company Product, and (iv) to the extent known by the Company, the copyright holder of such Open Source.

(j) **Source Code.** Neither the Company, nor any of its Subsidiaries, has disclosed, delivered or licensed to any third Person, agreed to disclose, deliver or license to any third Person, or permitted the disclosure or delivery to any escrow agent or other third Person of, any Source Code for any Company Product that is owned by the Company or a Subsidiary of the Company (*Company Source Code*). No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time, or both) will, or would reasonably be expected to, result in the disclosure or delivery by the Company, any of its Subsidiaries or any third Person acting on their behalf to any third Person of any Company Source Code. Section 3.8(j) of the Company Disclosure Letter identifies each written Contract pursuant to which the Company has deposited, or is or may be required to deposit, Company Source Code with an escrow agent or any other Person. The execution of this Agreement or any of the other transactions contemplated by this Agreement will not result in the release from escrow of any Company Source Code.

(k) **Licenses-In.** Other than (i) licenses to Shrink-Wrapped Code, (ii) licenses to Open Source as set forth in Section 3.8(i) of the Company Disclosure Letter and (iii) non-disclosure agreements entered into in the ordinary course of business, Section 3.8(k) of the Company Disclosure Letter lists all written Contracts that are material to the business of the Company to which the Company or any of its Subsidiaries is a party and under which the Company or any of its Subsidiaries has been granted or provided any rights to Intellectual Property or Intellectual Property Rights by a third party.

(l) **Supplier Agreements.** Section 3.8(l) of the Company Disclosure Letter lists all written Contracts that are material to the Company to which the Company or any of its Subsidiaries is a party and pursuant to which Company or its Subsidiaries licenses, purchases or acquires any Intellectual Property (including any parts, supplies and components) that is material to the design, manufacture or support of the Company Products.

(m) **Licenses-Out.** Other than (i) written non-disclosure agreements and (ii) non-exclusive licenses and related agreements with respect thereto (including software and maintenance and support agreements) of current Company Products to end-users (in each case, pursuant to written agreements that have been entered into in the ordinary course of business that do not materially differ in substance from the Company's standard form(s) which have been provided to Parent), Section 3.8(m) of the Company Disclosure Letter lists all written contracts, licenses and agreements to

which the Company or any of its Subsidiaries is a party that have generated for the Company or any of its Subsidiaries more than \$150,000 in revenue in a fiscal quarter in any of the last three fiscal years and under which the Company or any of its Subsidiaries has granted any license to the Company Intellectual Property.

(n) **Customer Information.** The Company and each of its Subsidiaries has all necessary rights to, and has taken commercially reasonable steps to protect the confidentiality of all customer lists, customer contact information, customer correspondence and customer licensing and purchasing histories relating to its customers (the *Customer Information*). To the Knowledge of the Company, the Company and its Subsidiaries are in full compliance with all Applicable Laws, regulations and Contracts with respect to the use and disclosure of Customer Information and the consummation of the transactions contemplated by this Agreement will not violate such laws, regulations and contracts with respect to such Customer Information.

(o) **Third Person Infringement.** No third Person has been put on notice of, nor is the Company or its Subsidiaries aware of any facts which would indicate a likelihood that a third Person has, will be, or currently is infringing, misappropriating, diluting or otherwise misusing any of the Company Intellectual Property.

3.9. **Restrictions on Business Activities.** Neither the Company nor any of its Subsidiaries is party to or bound by any Contract containing any covenant (a) limiting in any respect the right of the Company or any of its Subsidiaries to engage in any line of business, to make use of any Company Intellectual Property or Company Product or compete with any Person in any line of business, (b) granting any exclusive distribution rights, (c) providing most favored nations or other preferential pricing terms for current Company Products or (d) otherwise limiting or restricting the right of the Company and its Subsidiaries to sell, distribute or manufacture any Company Products or Company Intellectual Property or to purchase or otherwise obtain any software, components, parts or subassemblies.

3.10. **Governmental Authorizations.** Each material consent, license, permit, grant or other authorization (i) pursuant to which the Company or any of its Subsidiaries currently operates or holds any interest in any of their respective properties or assets, or (ii) which is required for the operation of the Company's or any of its Subsidiaries' business as currently conducted or the holding of any such interest (collectively, *Company Permits*) has been issued or granted to the Company or any of its Subsidiaries, as the case may be. Each Company Permit is in full force and effect. As of the date hereof, no suspension or cancellation of any Company Permit is pending or, to the Knowledge of the Company, threatened. The Company and its Subsidiaries are in compliance in all material respects with the terms of all Company Permits.

3.11. **Litigation.** There is no Legal Proceeding pending or, to the Knowledge of the Company, threatened against the Company, any of its Subsidiaries or any of their respective properties or assets (whether real, personal or mixed, tangible or intangible). There is no investigation or other proceeding pending or, to the Knowledge of the Company, threatened against the Company, any of its Subsidiaries or any of their respective properties or assets (whether real, personal or mixed, tangible or intangible) by or before any Governmental Authority. There has not been since January 1, 2003, nor are there currently, any internal investigations or inquiries being conducted by the Company, the Company's Board of Directors (or any committee thereof) or, to the Knowledge of the Company, any third party at the request of any of the foregoing concerning any financial, accounting, tax, conflict of interest, illegal activity, fraudulent or deceptive conduct or other misfeasance or malfeasance issues.

3.12. **Compliance with Laws.** Neither the Company nor any of its Subsidiaries has been or is in violation or default in any material respect of any Applicable Law. There is no agreement, judgment, injunction, order or decree binding upon the Company or any of its Subsidiaries which has or would reasonably be expected to have the effect of prohibiting or impairing any business practice of the

Company or any of its Subsidiaries in such a way as has resulted or would reasonably be expected to result in a Company Material Adverse Effect.

3.13. **Environmental Matters.** Section 3.13 of the Company Disclosure Letter sets forth a complete list of all material Company Permits held by the Company or any of its Subsidiaries which have been issued under Environmental Laws (the *Environmental Permits*). The Environmental Permits set forth in Section 3.13 of the Company Disclosure Letter constitute all of the material Company Permits that relate to Environmental Matters, issued or required under Environmental Laws by any Governmental Authority in connection with the operation of the Company's business. The Company and its Subsidiaries are now and for the last five years have been in material compliance with all Environmental Laws and all Environmental Permits. There are no past or present conditions, events, circumstances, facts, activities, practices, incidents, actions, omissions or plans (i) that have given rise or could reasonably be expected to give rise to any material Liabilities of the Company and its Subsidiaries under any Environmental Laws or (ii) that have required or could reasonably be expected to require the Company and its Subsidiaries to incur any material cleanup, remediation, removal or other response costs (including the cost of coming into compliance with Environmental Laws), investigation costs (including fees of consultants, counsel and other experts in connection with any environmental investigation, testing, audits or studies), losses, Liabilities, payments, damages (including any actual, punitive or consequential damages under any Environmental Laws or to third parties for personal injury or property damage), civil or criminal fines or penalties, judgments or amounts paid in settlement under Environmental Laws. Neither the Company nor any of its Subsidiaries has received any written notice or other written communication: (x) that any of them is or may be a potentially responsible Person or otherwise materially liable in connection with any waste disposal site or other location allegedly containing any Hazardous Substances; (y) of any failure by any of them to materially comply with any Environmental Laws or the requirements of any Environmental Permits; or (z) that any of them is requested or required by any Governmental Authority to perform any material investigatory or remedial activity or other action in connection with any actual or alleged release of Hazardous Substances or any other environmental matters.

3.14. **Brokers and Finders Fees.** Except for fees payable to Allen & Company, Inc. and Susquehanna Financial Group, LLLP pursuant to engagement letters, copies of which have been provided to Parent, neither the Company nor any of its Subsidiaries has (i) incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions, fees related to investment banking or similar advisory services or any similar charges in connection with this Agreement or any transaction contemplated hereby, nor (ii) entered into any indemnification agreement or arrangement with any Person in connection with this Agreement and the transactions contemplated hereby.

3.15. **Transactions with Affiliates.** Except as set forth in the Company SEC Reports filed on or prior to the date of this Agreement, since the date of the Company's last proxy statement filed with the SEC, no event has occurred as of the date hereof that would be required to be reported by the Company pursuant to Item 404 of Regulation S-K promulgated by the SEC.

3.16. **Employee Benefit Plans and Compensation.**

(a) **Definitions.** For all purposes of this Agreement, the following terms shall have the following respective meanings:

Company Benefit Plan means any Plan established by the Company or any of its Subsidiaries, or any predecessor of the Company or any of its Subsidiaries, to which the Company or any of its Subsidiaries contributes or has contributed on behalf of any Employee, or under which any Employee, or any beneficiary thereof, is covered, is eligible for coverage or has benefit rights, or for which the Company or any of its Subsidiaries has any Liability.

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ERISA means the Employee Retirement Income Security Act of 1974, as amended.

ERISA Affiliate means, as to any person, any trade or business, whether or not incorporated, which together with such person would be deemed, at any time through the Closing Date, a single employer within the meaning of Section 4001 of ERISA or Section 414(b), (c), (m) or (o) of the Code.

Plan means any bonus, incentive compensation, deferred compensation, pension, profit sharing, retirement, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock, leave of absence, layoff, vacation or holiday pay, day or dependent care, legal services, cafeteria, life, health, accident, sickness, disability, workmen's compensation, medical, life, dental or other insurance, severance, separation or other employee benefit, fringe benefit, plan, program, trust, contract, practice, policy or arrangement of any kind, whether written or oral, including any employee benefit plan within the meaning of Section 3(3) of ERISA whether or not in the nature of formal or informal understandings and whether or not included in or described in any employment manual or handbook.

(b) Section 3.16 of the Company Disclosure Letter is a current, correct and complete list of all Company Benefit Plans.

(c) All the Company Benefit Plans conform (and at all times have conformed) in all material respects to, and are being administered and operated (and have at all times been administered and operated) in material compliance with, the requirements of ERISA, the Code and all other Applicable Laws. All returns, reports and disclosure statements required to be made under ERISA and the Code with respect to all such Company Benefit Plans have been timely filed or delivered. There have not been any prohibited transactions (as such term is defined in Section 4975 of the Code or Section 406 of ERISA) involving any of the Benefit Plans that could subject the Company to any penalty or tax under ERISA or the Code.

(d) Each Company Benefit Plan that is intended to be qualified under Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code has been determined by the Internal Revenue Service to be so qualified and exempt. Any such Internal Revenue Service determination remains in effect and has not been revoked. Nothing has occurred since the date of any such determination that is reasonably likely to affect adversely such qualification or exemption, or result in the imposition of an excise, income or unrelated business income taxes under the Code or ERISA with respect to any such Company Benefit Plan.

(e) The Company and ERISA Affiliates do not sponsor or contribute to, and have not in the past sponsored or contributed to, and have no Liabilities with respect to, any defined benefit plan subject to Title IV of ERISA or any multi-employer plan (as defined in Section 3(37) of ERISA).

(f) The Company has delivered or made available to Purchaser current, correct and complete copies of the following documents: (i) all plan documents, amendments and trust agreements relating to each Company Benefit Plan; (ii) the most recent annual and periodic accountings of plan assets; (iii) the most recent Internal Revenue Service determination or notification letter for each Company Benefit Plan that is an employee pension benefit plan (as that term is defined in ERISA Section 3(2)) and a list identifying any amendment not covered by such determination or notification letter; (iv) annual reports filed on Form 5500 (including accompanying schedules) for each Company Benefit Plan for the last three (3) years, if such reports were required to be filed; (v) the current summary plan description, if any is required by ERISA, for each Company Benefit Plan; (vi) all insurance contracts, annuity contracts, investment management or advisory agreements, administration contracts, service provider agreements, audit reports, fidelity bonds and fiduciary liability policies relating to any Company Benefit Plan; and (vii) all material correspondence with any Governmental Authority relating to any Company Benefit Plan.

(g) To the Knowledge of the Company and any of its Subsidiaries, all communications regarding each Company Benefit Plan by the Company, any of its Subsidiaries or by an Employee or agent of the Company reflect and have always reflected accurately the material terms of that Company Benefit Plan.

(h) There are no pending or, to the Knowledge of the Company or any of its Subsidiaries, threatened claims by or on behalf of any Company Benefit Plan, or by or on behalf of any individual participants or beneficiaries of any Company Benefit Plan, alleging any violation of ERISA or any other Applicable Laws, or claiming payments (other than benefit claims made in the ordinary course of the operation of such plans), nor is there, to the knowledge of the Company or any of its Subsidiaries, any basis for such claim. No Company Benefit Plan is the subject of any pending (or, to the Knowledge of the Company, any threatened) investigation or audit by the Internal Revenue Service, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation or any other regulatory agency, foreign or domestic.

(i) All required payments and contributions under the Company Benefit Plans, including the payment of all insurance premiums, have been timely made. All such payments and contributions have been fully deducted by the Company or any of its Subsidiaries for federal income tax purposes. Such deductions have not been challenged or disallowed by any Governmental Authority and neither the Company nor any of its Subsidiaries has any reason to believe that such deductions are not properly allowable. There is no contract, agreement, plan or arrangement to which the Company or any of its Subsidiaries is a party, including the provisions of this Agreement, covering any Employee of the Company or any of its Subsidiaries, which, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to Section 162(m) of the Code. Neither the Company nor any of its Subsidiaries has incurred any Liabilities for any tax, excise tax, penalty or fee with respect to any Company Benefit Plan, and no event has occurred and no circumstance exists or has existed that could give rise to any such Liabilities.

(j) The execution and performance of the transactions contemplated by this Agreement will not (either alone or upon the occurrence of any additional or subsequent events) result in any payment, acceleration, vesting or increase in benefits with respect to any employee or former employee of the Company or any of its Subsidiaries. Furthermore, the execution of and performance of the transactions contemplated by this Agreement will not result in any payment, acceleration, vesting or increase in benefits with respect to any Employee or former Employee of the Company or its Subsidiaries that would be an excess parachute payment under Section 280G of the Code.

(k) Neither the Company nor any of its Subsidiaries maintains any plan or arrangement that provides post retirement medical benefits, post retirement death benefits or other post retirement welfare benefits, other than to the extent required by Part 6 of Title I of ERISA.

(l) There has been no amendment to, written interpretation or announcement (whether or not written) relating to, or change in employee participation or coverage under, any Company Benefit Plan which would increase materially the expense of maintaining such Company Benefit Plan above the level of the expense incurred in respect thereof for the fiscal year of the Company ending immediately prior to the date hereof. Each Company Benefit Plan may be amended or terminated, at any time determined by the Company in its sole discretion.

3.17. *Contracts.*

(a) **Material Contracts.** For purposes of this Agreement, *Company Material Contract* shall mean any of the following to which the Company or any of its Subsidiaries is a party or by which it or its assets are bound:

(i) any material contract (as such term is defined in Item 601(b)(10) of Regulation S-K) with respect to the Company and its Subsidiaries;

(ii) any agreement pursuant to which the Company or any of its Subsidiaries have continuing obligations to jointly develop any Intellectual Property or Intellectual Property Rights that will not be owned, in whole or in part, by the Company or any of its Subsidiaries and which may not be terminated without penalty to the Company or any of its Subsidiaries upon notice of 30 days or less;

(iii) Any agreement granting, licensing, sublicensing or otherwise transferring any Intellectual Property Rights of the Company or its Subsidiaries other than in the ordinary course of business and consistent with past practices;

(iv) any mortgages, indentures, guarantees, loans or credit agreements, security agreements or other agreements relating to the borrowing of money or extension of credit, other than accounts receivables and payables in the ordinary course of business and consistent with past practices;

(v) any material settlement agreement entered into within three years prior to the date of this Agreement;

(vi) any Company Government Contract or Company Government Subcontract;

(vii) any agreement, or group of agreements with a Person (or group of affiliated Persons), the termination or breach of which could reasonably be expected to have a material adverse effect on any Company Product or otherwise have a Company Material Adverse Effect; or

(viii) any other agreement in effect at any time during the past three years which provided for any obligations to make payments or entitlement to receive payments on behalf of the Company or any of its Subsidiaries of \$250,000 or more within a 12-month period.

(b) **Schedule of Material Contracts.** Section 3.17(b) of the Company Disclosure Letter sets forth a list of all Company Material Contracts to which the Company or any of its Subsidiaries is a party or by which any of them is bound as of the date hereof which are described in Section 3.17(a), setting forth for each such Company Material Contract, the subsections of Section 3.17(a) applicable to such Company Material Contract.

(c) **No Breach.** All Company Material Contracts are valid and in full force and effect in all material respects, except to the extent they have previously expired in accordance with their terms. Neither the Company nor any of its Subsidiaries has violated any provision of, or committed or failed to perform any act which, with or without notice, lapse of time or both would constitute a material default under the provisions of, any Company Material Contract.

3.18. **Insurance.** Section 3.18 of the Company Disclosure Letter sets forth a list of all insurance policies, including worker's compensation, title, fire, general liability, fiduciary liability, directors' and officers' liability, malpractice liability, theft and other forms of property and casualty insurance held by the Company and each of its Subsidiaries. Except for policies that have been, or are scheduled to be, terminated in the ordinary course of business and consistent with past practices of the Company and in accordance with the terms thereof, each of the insurance policies set forth in Section 3.18 of the Company Disclosure Letter is in full force and effect. To the Knowledge of the Company, there is no existing default or event which, with the giving of notice, lapse of time or both, would constitute a default, by any insured under any policy listed in Section 3.18 of the Company Disclosure Letter, except where the existence of such default would not be reasonably likely to be material to the Company and its Subsidiaries taken as a whole. All premiums and other amounts due on such policies have been paid, and the Company and its Subsidiaries have complied in all material respect with the provisions of such policies. The Company and its Subsidiaries have reported to their insurers all claims and pending circumstances that could potentially result in a claim, except where the failure

to report such a claim would not be reasonably likely to be material to the Company and its Subsidiaries taken as a whole.

3.19. **Accounts Receivable.** The Company has delivered or made available to Parent a list of all accounts receivable of the Company as of September 30, 2006, together with a range of days elapsed since invoice. All of the Company's accounts receivable arose in the ordinary course of business, are carried at values determined in accordance with GAAP consistently applied, and are reasonably believed by the Company to be collectible except to the extent of reserves therefor set forth in the Company Financial Statements, or, for receivables arising subsequent to September 30, 2006, as reflected on the books and records of the Company (which are prepared in accordance with GAAP and the reserve practices and methodology used in preparation of the Company Balance Sheet). No Person has any Lien on any of the Company's accounts receivable, and no request or agreement for deduction or discount has been made with respect to any of the Company's accounts receivable.

3.20. **Warranties; Products Liability.** Neither the Company nor any Subsidiary has incurred any material expenses not reflected in the Company Financials in connection with any claims made by customers under the Company's or any Subsidiary's obligations under their guaranty, warranty, right of return and indemnity provisions during each of the last 3 fiscal years and the interim period covered by the Company Financials; and to the Company's Knowledge, there is no reason why a material amount of any such expenses would be incurred in the future. During the last 3 fiscal years and the interim period covered by the Company Financials, neither the Company nor any Subsidiary has incurred any material liability arising out of any injury to any individual or property as a result of the ownership, possession, or use of any product or service manufactured, sold, leased or delivered by the Company or its Subsidiaries.

3.21. **Customers.** Section 3.21 of the Company Disclosure Letter lists the customers who, in the Company's nine months ended September 30, 2006, were the fifteen (15) largest customers, as measured by gross revenue, of Company and its Subsidiaries (each, a *Significant Customer*). Neither the Company nor any Subsidiary intends to (a) terminate its relationship or any Contract between any Significant Customer and the Company or its Subsidiaries, (b) stop, or materially decrease the rate of supplying products or services (in each case, as measured against the Company's historical rate of supplying products or services since January 1, 2003, or such shorter period of time the Company has been supplying products or services to such Significant Customer) to such Significant Customer, or (c) seek the exercise of any remedy against any such Significant Customer. The Company has no Knowledge of any intent on the part of a Significant Customer to (a) terminate its relationship or any Contract between such Significant Customer and the Company or its Subsidiaries, (b) stop, or materially decrease the rate of buying products or services (in each case, as measured against the Significant Customer's historical rate of buying products or services since January 1, 2003, or such shorter period of time the Company has been supplying products or services to such Significant Customer) from the Company or any Subsidiary, (c) refuse to pay any amount due from such Significant Customer to the Company or its Subsidiaries (other than non-material, bona fide disputes), (d) return products of the Company or its Subsidiaries, or (e) seek the exercise of any remedy against the Company or any Subsidiary. The Company has not since the Balance Sheet Date been engaged in a material dispute with any Significant Customer.

3.22. **Suppliers.** Section 3.22 of the Company Disclosure Letter lists the suppliers who, in the nine months ended September 30, 2006, were the ten (10) largest suppliers of goods and services to the Company and its Subsidiaries, based on amounts paid by the Company and its Subsidiaries to such suppliers (each, a *Significant Supplier*). Neither the Company nor any Subsidiary has any intent of (a) terminating any Contract with any Significant Supplier, (b) stop, or materially decrease the rate of buying products or services (in each case, as measured against the Company's historical rate of buying products or services since January 1, 2003) from any Significant Supplier, (c) refusing to

pay any amount due to any Significant Supplier, (d) returning any products to any Significant Supplier or (e) seeking to exercise any remedy against any Significant Supplier. The Company has no Knowledge that any Significant Supplier intends to (a) terminate any Contract between such Significant Supplier and the Company or any of its Subsidiaries, (b) stop, or materially decrease the rate of supplying products or services (in each case, as measured against such Significant Supplier's historical rate of supplying products or services since January 1, 2003) to the Company or any Subsidiary, (c) or seek to exercise any remedy against the Company or any of its Subsidiaries. The Company has not within the past year been engaged in a material dispute with any Significant Supplier.

3.23. *Export Control Laws.* The Company and each of its Subsidiaries has at all times conducted its export transactions in accordance with (i) all applicable U.S. export and re-export controls, including the United States Export Administration Act and Regulations and Foreign Assets Control Regulations and (ii) all other applicable import/export controls in other countries in which the Company conducts business. The Company and each of its Subsidiaries has obtained all export licenses, license exceptions and other consents, notices, waivers, approvals, orders, authorizations, registrations, declarations, classifications and filings with any Governmental Authority required for (i) the export and reexport of products, services, software and technologies and (ii) releases of technologies and software to foreign nationals located in the United States and abroad (*Export Approvals*). The Company and each of its Subsidiaries is in compliance with the terms of all applicable Export Approvals, There are no pending or, to the Company's Knowledge, threatened claims against the Company or any Subsidiary with respect to such Export Approvals, and no Export Approvals for the transfer of export licenses to Parent or the Surviving Corporation are required. To the Company's Knowledge, there are no actions, conditions or circumstances pertaining to the Company's or any Subsidiary's export transactions that may give rise to any future claims.

3.24. *Foreign Corrupt Practices Act.* Neither the Company nor any of its Subsidiaries (including any of their officers, directors, agents, distributors, employees or other Person associated with or acting on their behalf) has, directly or indirectly, taken any action which would cause it to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any rules or regulations thereunder or any similar anti-corruption or Applicable Law with respect to anti-bribery in any jurisdiction other than the United States (collectively, the *FCPA*), used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, made, offered or authorized any unlawful payment to foreign or domestic government officials or employees, whether directly or indirectly, or made, offered or authorized any bribe, rebate, payoff, influence payment, kickback or other similar unlawful payment, whether directly or indirectly. The Company has established sufficient internal controls and procedures to ensure compliance with the FCPA and has made available to Parent all documentation relating to ethical business practices.

3.25. *Information Supplied.* None of the information supplied or to be supplied by or on behalf of the Company for inclusion or incorporation by reference in the Registration Statement (including the Proxy Statement to be included therein) or any amendment or supplement thereto shall (a) at the time the Registration Statement is declared effective by the SEC (or, with respect to any post-effective amendment or supplement, at the time such post-effective amendment or supplement becomes effective) or (b) on the date of mailing to the Company's stockholders and at the time of the Company Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. Notwithstanding any of the foregoing in this Section 3.25, the Company makes no representation or warranty with respect to any information supplied by Parent, BV Sub or Merger Sub for inclusion or incorporation by reference in the Registration Statement.

3.26. **Fairness Opinion.** The Company's Board of Directors has received a written opinion from Allen & Company, dated as of November 5, 2006, a copy of which has been delivered to Parent, that, as of such date and subject to the assumptions and qualifications made therein, the Merger Consideration is fair to the Company's stockholders from a financial point of view (the *Company Fairness Opinion*). The special committee of the Company's Board of Directors (the *Special Committee*) has received a written opinion from Susquehanna Financial Group, LLLP, dated as of November 5, 2006, a copy of which has been delivered to Parent, that, as of such date and subject to the assumptions and qualifications made therein, the Merger Consideration is fair to the Company's stockholders from a financial point of view (the *Committee Fairness Opinion*) and together with the Company Fairness Opinion, the *Fairness Opinions*).

3.27. **Government Contracts.** With respect to each Contract between the Company or any Subsidiary of the Company, on the one hand, and any U.S. federal governmental entity, on the other hand, and each outstanding bid, quotation or proposal by the Company or any Subsidiary of the Company (each, a *Bid*) that if accepted or awarded could lead to a Contract between the Company or any Subsidiary of the Company, on the one hand, and any U.S. federal governmental entity, on the other hand, (each such Contract or Bid, a *Company Government Contract*) and each Contract between the Company or any Subsidiary of the Company, on the one hand, and any prime contractor or upper-tier subcontractor, on the other hand, relating to a Contract between such person and any U.S. federal governmental entity, and each outstanding Bid that if accepted or awarded could lead to a Contract between the Company or a Subsidiary of the Company, on the one hand, and a prime contractor or upper-tier subcontractor, on the other hand, relating to a Contract between such person and any U.S. federal governmental entity (each such Contract or Bid, a *Company Government Subcontract*):

(a) Each such Company Government Contract or Company Government Subcontract (other than Bids) was, to the Knowledge of the Company, legally awarded, is binding on the parties thereto, and is in full force and effect in all material respects, except to the extent such Company Government Contract or Company Government Subcontract (other than Bids) has previously expired in accordance with their terms. Neither the Company nor any of its Subsidiaries has violated any provision of, or committed or failed to perform any act which, with or without notice, lapse of time or both would constitute a material default under the provisions of, any Company Government Contract or Company Government Subcontract.

(b) There are no material Legal Proceeding pending or, to the Knowledge of the Company, threatened, in connection with any Company Government Contract or Company Government Subcontract, against the Company or any of its Subsidiaries alleging fraud or under the United States False Claims Act, the United States Procurement Integrity Act or the United States Truth in Negotiations Act. Neither the Company, any Company Subsidiary or any cost incurred by the Company or any Subsidiary of the Company pertaining to a Company Government Contract or Company Government Subcontract is the subject of any audit or, to the Knowledge of the Company, investigation or has been disallowed by any Governmental Authority, except any investigation, audit or disallowance (i) that, individually or in the aggregate, is not reasonably likely to result in a material liability to the Company and its Subsidiaries taken as a whole or (ii) which commenced prior to the three-year period prior to the date hereof and is closed and no longer pending.

(c) The Company and its Subsidiaries have complied in all material respects with all requirements of the Company Government Contracts or Company Government Subcontracts and any material Applicable Law relating to the safeguarding of, and access to, classified information. The execution, delivery and performance of this Agreement will not and the Company is not aware of any facts that are reasonably likely to give rise to the revocation of any security clearance of the Company, any Subsidiary of the Company or any Employee of the Company or any Company Subsidiary.

3.28. **Takeover Statutes and Rights Plans.** Assuming the accuracy of the representations and warranties made by Parent, BV Sub and Merger Sub in Section 4.12, the Board of Directors of the Company has taken all actions so that the restrictions contained in Section 203 of the DGCL and any other similar Applicable Law, will not apply to Parent, BV Sub or Merger Sub or any Affiliate of any of them during the pendency of this Agreement, including the execution, delivery or performance of this Agreement and the consummation of the Merger and the other transactions contemplated hereby.

3.29. **Tax-Free Reorganization.** Neither the Company, nor to the Knowledge of the Company, any of its Affiliates has taken or agreed to take any action that would prevent the Merger from constituting a reorganization within the meaning of Section 368(a) of the Code.

3.30. **Change of Control; Severance; Bonus Payments.** The Company is not a party to any agreement that would require any change of control, severance or bonus payment, or acceleration of vesting of any options, warrants or similar rights to acquire Company Securities in connection with the consummation of the Merger and the consummation of the transactions contemplated by this Agreement.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF PARENT, BV Sub AND MERGER SUB

Parent, BV Sub and Merger Sub represent and warrant to the Company, subject to the exceptions specifically disclosed in the disclosure letter (referencing the appropriate section or subsection of this Agreement, as applicable) supplied by Parent to the Company dated as of the date hereof and certified by a duly authorized executive officer of the Parent (the *Parent Disclosure Letter*) as follows:

4.1. **Organization**

(a) **Organization; Good Standing; Power and Authority.** Each of Parent, BV Sub and Merger Sub is a corporation or other organization duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, except where the failure to be so organized, validly existing and in good standing would not reasonably be expected to have a Parent Material Adverse Effect, and has the requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as currently conducted. Each of Parent, BV Sub and Merger Sub is duly qualified to do business as a foreign entity and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary, except where the failure to be so qualified or in good standing would not have a Parent Material Adverse Effect.

(b) **Charter Documents.** Parent has delivered to the Company true and complete copies of the certificate of incorporation of Parent, as amended and restated to the date of this Agreement (as so amended and restated, the *Parent Charter*), the bylaws of Parent, as amended and restated to the date of this Agreement (as so amended and restated, the *Parent Bylaws*), the certificate of incorporation of Merger Sub (*Merger Sub Charter*) and the bylaws of Merger Sub (*Merger Sub Bylaws*), and the governing documents of BV Sub (*BV Sub Governing Documents*) and each such instrument is in full force and effect. Parent is not in violation of any of the provisions of the Parent Charter or Parent Bylaws, Merger Sub is not in violation of any of the provisions of the Merger Sub Charter or Merger Sub Bylaws and BV Sub is not in violation of the BV Sub Governing Documents.

4.2. **Capitalization.** As of the date hereof, the authorized capital stock of Parent consists of: (a) 400,000,000 shares of Parent Common Stock, \$0.001 par value (*Parent Common Stock*), and (b) 10,000,000 shares of undesignated preferred stock, \$0.001 par value (*Parent Preferred Stock*). At the close of business on November 3, 2006 (i) 93,472,470 shares of Parent Common Stock were issued and outstanding, (ii) no shares of Parent Common Stock were issued and held by the Parent in

its treasury, (iii) an aggregate of 4,825,439 shares of Parent Common Stock were issuable upon exercise of Parent Stock Options, (iv) an aggregate of 565,615 shares of Parent Common Stock were issuable upon lapsing of outstanding restricted stock units granted under the Parent Stock Option Plans, (v) an aggregate of 8,922,106 shares of Parent Common Stock were reserved for future issuance pursuant to the Parent Stock Option Plans, and (vi) no shares of Parent Preferred Stock were issued or outstanding. All outstanding shares of Parent Common Stock are, and all such shares that may be issued prior to the Effective Time will be when issued, duly authorized, validly issued, fully paid and non-assessable and are not subject to preemptive rights created by statute, the Parent Charter, or any agreement to which Parent is a party or by which it is bound. Except as set forth above or as otherwise contemplated by this Agreement, there are not any options, warrants, rights, convertible or exchangeable securities, phantom stock rights, stock appreciation rights, stock-based performance units, commitments, Contracts, arrangements or undertakings of any kind to which Parent or any Parent Subsidiary is a party or by which any of them is bound (x) obligating Parent or any Parent Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other equity interest in, or any security convertible or exercisable for or exchangeable into any capital stock of or other equity interest in, Parent or any Parent Subsidiary, (y) obligating Parent or any Parent Subsidiary to issue, grant, extend or enter into any such option, warrant, call, right, security, commitment, Contract, arrangement or undertaking or (z) that give any person the right to receive any economic benefit or right similar to or derived from the economic benefits and rights occurring to holders of Parent Common Stock. As of the date of this Agreement, there are not any outstanding contractual obligations of Parent or any Parent Subsidiary to repurchase, redeem or otherwise acquire any shares of capital stock of Parent or any Parent Subsidiary. The authorized capital stock of Merger Sub consists of 1,000 shares of Merger Sub Common Stock, 1,000 of which are issued and outstanding and all of which are owned by BV Sub. The authorized capital stock of BV Sub consists of 90,000 shares of BV Sub Common Stock, 18,000 of which are issued and outstanding and all of which are owned by Parent. The shares of Parent Common Stock to be issued and delivered in the Merger pursuant to Article II shall be, at the time of such issuance and delivery, duly authorized, validly issued, fully paid and non-assessable. Parent is in control of Merger Sub for purposes of Section 368(a)(2)(D) of the Code.

4.3. Authority; No Conflict; Necessary Consents.

(a) **Authority.** Each of Parent, BV Sub and Merger Sub has all requisite corporate power and authority to enter into this Agreement and to consummate the Merger and the transactions contemplated hereby. The execution and delivery by each of Parent, BV Sub and Merger Sub of this Agreement and the consummation of the Merger and the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Parent, BV Sub and Merger Sub and no other action is required on the part of Parent, BV Sub and Merger Sub to authorize the execution and delivery of this Agreement or to consummate the Merger and the other transactions contemplated hereby, subject only to the filing of the Certificate of Merger pursuant to the DGCL. This Agreement has been duly executed and delivered by Parent, BV Sub and Merger Sub and, assuming due execution and delivery of this Agreement by the Company, constitutes the valid and binding obligations of Parent, BV Sub and Merger Sub, enforceable against each of Parent, BV Sub and Merger Sub in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and except insofar as the availability of equitable remedies may be limited by Applicable Law.

(b) **No Conflict.** The execution and delivery by Parent, BV Sub and Merger Sub of this Agreement and the consummation of the transactions contemplated hereby, will not (i) conflict with or violate any provision of the Parent Charter Documents, Merger Sub Charter Documents or BV Sub Governing Documents, (ii) subject to compliance with the requirements set forth in Section 4.3(c), conflict with or violate any material Applicable Law or (iii) result in any breach of or constitute a default

(or an event that with notice or lapse of time or both would become a default) under, or materially impair Parent's, Merger Sub's or BV Sub's rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien on any of the properties or assets of Parent, BV Sub or Merger Sub pursuant to, any contract filed with the SEC in the Parent SEC Reports pursuant to Item 601(b)(10) of Regulation S-K of the SEC; except, in the case of each of the preceding clauses (i), (ii) and (iii) for any conflict, violation, breach, default, impairment, alteration, giving of rights or Lien which would not reasonably be expected to result in a Parent Material Adverse Effect or materially adversely affect the ability of Parent, BV Sub or Merger Sub to consummate the Merger within the time frame in which the Merger would otherwise be consummated in the absence of such conflict, violation, breach, default, impairment, alteration, giving of rights or Lien.

(c) **Necessary Consents.** No consent, waiver, approval, order, authorization, registration, declaration or filing with any Governmental Authority, or any Person, is required to be made or obtained by Parent, BV Sub or Merger Sub in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) the Necessary Governmental Consents, (ii) any required filings under applicable state securities law, and (iii) such consents, waivers, approvals, orders, authorizations, registrations, declarations and filings which, if not obtained or made, would not be material to Parent, BV Sub and Merger Sub taken as a whole or materially adversely affect the ability of the parties hereto to consummate the Merger within the time frame in which the Merger would otherwise be consummated in the absence of the need for such consent, waiver, approval, order, authorization, registration, declaration or filing. No vote of Parent's stockholders is required in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

4.4. **SEC Filings.** Parent has filed all required registration statements, prospectuses, reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated by reference) required to be filed by it with the SEC since January 1, 2004. All such required registration statements, prospectuses, reports, schedules, forms, statements and other documents (including those that Parent may file subsequent to the date hereof) are referred to herein as the *Parent SEC Reports*. As of their respective dates, the Parent SEC Reports (i) were prepared in accordance and complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Parent SEC Reports and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement then on the date of such amended or superceding filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. None of Parent's Subsidiaries is required to file any forms, reports or other documents with the SEC. Parent has previously furnished to the Company a complete and correct copy of any amendments or modifications, which have not yet been filed with the SEC but which are required to be filed, to agreements, documents or other instruments which previously had been filed by Parent with the SEC pursuant to the Securities Act or the Exchange Act. Parent has responded to all comment letters of the staff of the SEC relating to Parent SEC Reports, and the SEC has not advised Parent that any final responses are inadequate, insufficient or otherwise non-responsive. Parent has made available to the Company true, correct and complete copies of all correspondence between the SEC, on the one hand, and Parent and any of its Subsidiaries, on the other, including all SEC comment letters and responses to such comment letters by or on behalf of Parent. To Parent's Knowledge, none of Parent's SEC Reports is the subject of ongoing SEC review or outstanding SEC comment. Parent and, to the Parent's Knowledge, each of its officers and directors are in compliance with, and have complied, in each case in all material respects with (i) the applicable provisions of the Sarbanes-Oxley Act and the related rules and regulations promulgated under or pursuant to such act and (ii) the applicable listing and corporate governance rules and regulations of

NYSE. Each required form, report and document containing financial statements that has been filed with or submitted to the SEC by Parent was accompanied by the certifications required to be filed or submitted by Parent's chief executive officer and/or chief financial officer, as required, pursuant to the Sarbanes-Oxley Act and, at the time of filing or submission of each such certification, such certification was true and accurate and complied with the Sarbanes-Oxley Act. Neither Parent nor, to Parent's Knowledge, any of its executive officers has received notice from any Governmental Authority challenging or questioning the accuracy, completeness, form or manner of filing such certifications.

4.5. **Financial Statements.** (a) **Financial Statements.** The consolidated financial statements of Parent included in Parent SEC Reports (the *Parent Financials*) comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP (except as may be indicated in the notes thereto, or in the case of unaudited statements, as permitted by the SEC on Form 10-Q or Form 8-K or any successor form under the Exchange Act) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto), and fairly present, in conformity with GAAP applied on a consistent basis (except as may be indicated in the notes thereto), the consolidated financial position of Parent and its consolidated Subsidiaries as of the dates thereof and their consolidated results of operations and cash flows for the periods then ended. Parent does not intend to correct or restate, nor is there any basis for any correction or restatement of, any aspect of the Parent Financials. The books and records of Parent and Parent's Subsidiaries have been, and are being, maintained in all material respects in accordance with applicable legal and accounting requirements, and the Parent Financials are consistent with such books and records. Except as and to the extent disclosed or reserved against on Parent's most recent balance sheet (or in the notes thereto) included in the Parent SEC Reports, neither Parent nor any Parent Subsidiary has any liabilities (absolute, accrued, contingent or otherwise) of a nature required to be disclosed on a consolidated balance sheet or in the related notes to a consolidated financial statement prepared in accordance with GAAP, except for liabilities incurred since the date of Parent's most recent balance sheet in the ordinary course of business consistent with past practices. Parent has not had any unresolved dispute with any of its auditors regarding accounting matters or policies during any of its past three full years or during the current fiscal year-to-date. Neither Parent nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract relating to any transaction or relationship between or among Parent or any of its Subsidiaries, on the one hand, and any unconsolidated affiliate, including any structured finance, special purpose or limited purpose Person, on the other hand, or any off-balance sheet arrangements (as defined in Item 303(a) of Regulation S-K).

(b) **Internal Controls.** Parent and each of its Subsidiaries has established and maintains, adheres to and enforces a system of internal controls which are sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP (including the Parent Financials), including policies and procedures that (i) require the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Parent and its Subsidiaries, (ii) provide reasonable assurance that material information relating to Parent and its Subsidiaries is promptly made known to the officers responsible for establishing and maintaining the system of internal controls, (iii) provide assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of Parent and its Subsidiaries are being made only in accordance with appropriate authorizations of management and the Board of Directors of Parent, (iv) provide reasonable assurance that access to assets is permitted only in accordance with management's general or specific authorization, (v) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of Parent and its Subsidiaries, and (vi) provide reasonable assurance that any significant deficiencies or material weaknesses in the design or operation of internal controls which are reasonably likely to materially

and adversely affect the ability to record, process, summarize and report financial information, and any fraud, whether or not material, that involves Parent's management or other Employees who have a role in the preparation of financial statements or the internal controls utilized by Parent and its Subsidiaries, are adequately and promptly disclosed to Parent's independent auditors and the audit committee of Parent's Board of Directors. Neither Parent nor any of its Subsidiaries (including, to Parent's Knowledge, any Employee thereof) nor Parent's independent auditors has identified or been made aware of (A) any significant deficiency or material weakness in the system of internal controls utilized by Parent and its Subsidiaries (other than a significant deficiency or material weakness that has been disclosed to the Audit Committee of the Board of Directors of Parent, and, in the case of a material weakness, that has been disclosed as required in the Parent SEC Reports), (B) any fraud, whether or not material, that involves Parent's management or other Employees who have a role in the preparation of financial statements or the internal controls utilized by Parent and its Subsidiaries or (C) any claim or allegation regarding any of the foregoing (other than claims or allegations that have been duly investigated and found not to involve any of the foregoing).

(c) **Accounting and Auditing Practices.** Neither Parent nor any of its Subsidiaries nor, to Parent's Knowledge, any director, officer, employee, auditor, accountant, consultant or representative of Parent or any of its Subsidiaries has received or otherwise had or obtained knowledge of any substantive complaint, allegation, assertion or claim, whether written or oral, that the Company or any of its Subsidiaries has engaged in questionable accounting or auditing practices. No current or former attorney representing the Company or any of its Subsidiaries has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by the Company or any of its officers, directors, employees or agents to the Board of Directors of the Company or any committee thereof or to any director or executive officer of the Company.

(d) **Section 806 of the Sarbanes-Oxley Act.** To Parent's Knowledge, no employee of Parent or any of its Subsidiaries has provided or is providing information to any law enforcement agency regarding the commission or possible commission of any crime or the violation or possible violation of any applicable legal requirements of the type described in Section 806 of the Sarbanes-Oxley Act by Parent or any of its Subsidiaries. Neither Parent nor any of its Subsidiaries nor, to the Knowledge of Parent, any director, officer, employee, contractor, subcontractor or agent of Parent or any such Subsidiary has discharged, demoted, suspended, threatened, harassed or in any other manner discriminated against an employee of Parent or any of its Subsidiaries in the terms and conditions of employment because of any lawful act of such employee described in Section 806 of the Sarbanes-Oxley Act.

4.6. **Absence of Changes.** Other than as disclosed in Section 4.6 of the Parent Disclosure Letter or in the Parent Financials, from January 1, 2006 through the date of this Agreement, Parent has conducted its business in all material respects only in the ordinary course, and since such date there has not been (a) any event or development, condition or occurrence that, individually or in the aggregate, has had a Parent Material Adverse Effect, (b) any material change in accounting methods, principles or practices by Parent or any Parent Subsidiary, except insofar as may have been required by a change in GAAP, (c) any settlement or compromise by Parent or any Parent Subsidiary of any material Tax liability or refund, (d) any material revaluation, or any indication that such a revaluation was merited under GAAP, by Parent of any of its assets, including, writing down the value of capitalized inventory, spares, long term or short-term investments, fixed assets, goodwill, intangible assets, deferred tax assets, or writing off notes or accounts receivable other than in the ordinary course of business consistent with past practices; or (e) any damage, destruction or other casualty loss (whether or not covered by insurance) with respect to any assets that, individually or in the aggregate, are material to the Parent and its Subsidiaries taken as a whole.

4.7. **Governmental Authorizations.** Each material consent, license, permit, grant or other authorization (i) pursuant to which Parent or any of its Subsidiaries currently operates or holds any

interest in any of their respective properties or assets, or (ii) which is required for the operation of Parent's or any of its Subsidiaries' business as currently conducted or the holding of any such interest (collectively, *Parent Permits*) has been issued or granted to Parent or any of its Subsidiaries, as the case may be. Each Parent Permit is in full force and effect. As of the date hereof, no suspension or cancellation of any Parent Permit is pending or, to the Knowledge of the Company, threatened. Parent and its Subsidiaries are in compliance in all material respects with the terms of all Parent Permits.

4.8. **Litigation.** There is no material Legal Proceeding pending or, to the Knowledge of the Parent, threatened against the Parent, any of its Subsidiaries or any of their respective properties or assets (whether real, personal or mixed, tangible or intangible). There is no investigation or other proceeding pending or, to the Knowledge of the Parent, threatened against the Parent, any of its Subsidiaries or any of their respective properties or assets (whether real, personal or mixed, tangible or intangible) by or before any Governmental Authority.

4.9. **Compliance with Laws.** Neither the Parent nor any of its Subsidiaries has been or is in violation or default in any material respect of any Applicable Law, except for such violations or defaults as would not result in a Parent Material Adverse Change. There is no agreement, judgment, injunction, order or decree binding upon the Parent or any of its Subsidiaries which has or would reasonably be expected to have the effect of prohibiting or impairing any business practice of the Parent or any of its Subsidiaries in such a way as to result in a Parent Material Adverse Effect.

4.10. **Tax-Free Reorganization.** Neither Parent, nor to the Knowledge of Parent, any of its Affiliates has taken or agreed to take any action that would prevent the Merger from constituting a reorganization within the meaning of Section 368(a) of the Code.

4.11. **Information Supplied.** None of the information supplied or to be supplied by or on behalf of Parent, BV Sub or Merger Sub for inclusion or incorporation by reference in the Registration Statement (including the Proxy Statement to be included therein) or any amendment or supplement thereto, or the Proxy Statement/Prospectus or any amendment or supplement thereto, shall (a) at the time the Registration Statement is declared effective by the SEC (or, with respect to any post-effective amendment or supplement, at the time such post-effective amendment or supplement becomes effective) or (b) on the date of mailing to the stockholders of the Company of the Proxy Statement/Prospectus and at the time of the Company Stockholders' Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. Notwithstanding any of the foregoing in this Section 4.11, Parent, BV Sub and Merger Sub make no representation or warranty with respect to any information supplied by the Company for inclusion or incorporation by reference in the Registration Statement.

4.12. **Ownership of Company Common Stock.** Neither Parent nor any of Parent's affiliates or associates directly or indirectly owns, and at all times since September 1, 2003 neither Parent nor any of parent's affiliates directly or indirectly has owned, beneficially or otherwise, any Company Common Stock, as those terms are defined in Section 203 of the DGCL.

4.13. **Taxes.** (a) All material Tax Returns required to have been filed by or with respect to the Parent and any of its Subsidiaries or a Relevant Group have been duly and timely filed, and each such Tax Return is true and accurate in all material respects and correctly and completely reflects in all material respects liability for Taxes and all other information required to be reported thereon. All material Taxes required to be paid by the Parent and any of its Subsidiaries or a Relevant Group (whether or not shown on any Tax Return) have been timely paid. The Parent and its Subsidiaries have adequately provided for liabilities for all material unpaid Taxes in the Parent Financials, which liabilities represent current Taxes not yet due and payable, in accordance with GAAP.

(b) There is no action, audit, dispute or claim now pending, or to the Parent's Knowledge, threatened against, or with respect to, the Parent and any of its Subsidiaries in respect of any Taxes. None of the Parent or its Subsidiaries is the beneficiary of any extension of time within which to file any Tax Return, nor have any of them made (or had made on their behalf) any requests for such extensions. No claim has ever been made in writing by a Governmental Authority in a jurisdiction where the Parent or any of its Subsidiaries does not file Tax Returns that any of them is or may be subject to taxation by that jurisdiction or that any of them must file Tax Returns. There are no Liens on any of the capital or assets of the Parent and any of its Subsidiaries with respect to Taxes, other than Liens for Taxes that are not yet due and payable.

(c) Each of the Parent and its Subsidiaries has withheld and timely paid all material Taxes required to have been withheld and paid, and has collected and remitted all Taxes (including all sales and use Taxes), required to be collected and remitted, and has complied with all information reporting and backup withholding requirements.

(d) None of the Parent or its Subsidiaries has waived (or is subject to a waiver of) any statute of limitations in respect of Taxes or has agreed to (or is subject to) any extension of time with respect to a Tax assessment or deficiency.

(e) None of the Parent or any of its Subsidiaries has any liability for the Taxes of any Person, other than under Section 1.1502-6 of the Treasury regulations (or any similar provision of state, local, or foreign law) with respect to any Relevant Group of which the Parent or any of its Subsidiaries currently is a member, (i) as a transferee or successor, (ii) by contract, (iii) under Section 1.1502-6 of the Treasury regulations (or any similar provision of state, local or foreign law), or (iv) otherwise.

(f) None of the Parent or any of its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (i) intercompany transactions or excess loss accounts described in Treasury regulations under Section 1502 of the Code (or any similar provision of state, local, or foreign Tax law), (ii) installment sale or open transaction disposition made on or prior to the Closing Date or (iii) prepaid amount received on or prior to the Closing Date.

Article V

CONDUCT OF BUSINESS PRIOR TO THE EFFECTIVE TIME

5.1. *Conduct of Business by the Company.* Except as otherwise expressly contemplated by this Agreement, as set forth in Section 5.1 of the Company Disclosure Letter, or as required by Applicable Law, or to the extent that Parent shall otherwise consent in writing, during the period from the date hereof and continuing until the earlier of the termination of this Agreement pursuant to Article VIII or the Effective Time, the Company shall and shall cause each of its Subsidiaries to, carry on its business in the usual, regular and ordinary course, in substantially the same manner as heretofore conducted and in material compliance with all Applicable Laws, pay its debts and Taxes when due, pay or perform other material obligations when due, and use commercially reasonable efforts consistent with past practices and policies to preserve substantially intact its present business organization, keep available the services of its present executive officers and Employees and consultants, and preserve its relationships with its Employees, consultants, customers, suppliers, licensors, licensees, lessors and others with which it has significant business dealings. The Company also shall promptly notify in writing Parent of the occurrence of any Company Material Adverse Effect or the occurrence of any event which is reasonably likely to result in a Company Material Adverse Effect. Without limiting the generality of the foregoing, without the prior written consent of Parent (which consent shall not be unreasonably withheld, conditioned or delayed), during the period from the date hereof and continuing until the earlier of the termination of this Agreement pursuant to Article VIII or the Effective Time, except as set forth in Section 5.1 of the Company Disclosure Letter, the

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Company shall not do any of the following, and shall not permit any of its Subsidiaries to do any of the following:

- (a) Enter into any new line of business material to the Company and its Subsidiaries taken as a whole;
- (b) Declare, set aside or pay any dividends on or make any other distributions in respect of any capital stock, or combine, split or reclassify any capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any capital stock, other than dividends and distributions made by any Subsidiary of the Company to the Company in the ordinary course of business consistent with past practices;
- (c) Authorize for issuance, issue, deliver, sell, pledge or otherwise encumber (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights (including stock appreciation rights), rights to purchase or otherwise) any Company Securities or Subsidiary Securities or rights to acquire such securities, or enter into any other agreements or commitments of any character obligating it to issue any such securities or rights, or enter into any amendment of any term of any currently outstanding Company Securities or Subsidiary Securities or rights to acquire such securities, other than issuances of Company Common Stock upon the exercise of Company Options or Company Warrants existing on the date hereof in accordance with their present terms;
- (d) Purchase, redeem or otherwise acquire or offer to redeem, purchase, or otherwise acquire, directly or indirectly, any Company Securities or Subsidiary Securities;
- (e) Cause, permit or propose to adopt any amendments to Company Charter Documents or the Subsidiary Charter Documents;
- (f) Adopt or implement any stockholder rights plan, poison pill, or other anti-takeover plan, arrangement or mechanism that, in each case, is applicable to Parent, BV Sub or Merger Sub or the transactions contemplated by this Agreement;
- (g) Acquire or agree to acquire by merging or consolidating with, or by purchasing any equity or voting interest in or purchasing a portion or all of the assets of, or by any other manner, any business or any Person or any division thereof, or otherwise acquire or agree to acquire any assets that are or are expected to be material, individually or in the aggregate, to the business of the Company or its Subsidiaries, or solicit or participate in any negotiations with respect to any of the foregoing;
- (h) Enter into, modify or amend in a manner materially adverse to the Company and its Subsidiaries taken as a whole, or terminate any Company Material Contract or waive, release or assign any material rights or claims thereunder, in each case, in a manner materially adverse to the Company and its Subsidiaries taken as a whole;
- (i) Enter into any binding agreement, agreement in principle, letter of intent, memorandum of understanding or similar agreement with respect to any material joint venture, strategic partnership or alliance;
- (j) Sell, lease, license, mortgage, pledge, encumber or otherwise dispose of any properties or assets except for the sale, lease, license, encumbrance or disposition of property or assets that are not material, individually or in the aggregate, to the business of the Company and its Subsidiaries, in each case, in the ordinary course of business and in a manner consistent with past practices, including with respect to the terms and conditions of any such sale, lease, license, encumbrance or other disposition;
- (k) With the exception of the Merger, adopt a plan of complete or partial liquidation dissolution, merger, consolidation, recapitalization, reorganization, or other restructuring of the

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Company or any of its Subsidiaries, or alter, pursuant to the foregoing or other event, the corporate structure or ownership of any Subsidiary of the Company;

(l) Incur, assume or prepay any indebtedness for borrowed money or assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for, any such indebtedness of another Person, guarantee any debt securities of another Person, or enter into any arrangement having the economic effect of any of the foregoing, other than in connection with the financing of ordinary course trade payables consistent with past practices;

(m) Make any payments, loans, extensions of credit or financing, advances or capital contributions to, or investments in, any other Person, other than (i) payments, loans or investments by the Company or a wholly-owned Subsidiary of the Company to or in the Company or any wholly-owned Subsidiary of the Company, (ii) employee loans, advances, or payments for bona fide travel and entertainment expenses reimbursement made in the ordinary course of business consistent with past practices, or (iii) extensions of credit or financing to, or extended payment terms for, customers made in the ordinary course of business consistent with past practices;

(n) Sell, transfer or lease any properties or assets (whether real, personal or mixed, tangible or intangible) to, or enter into any contract, arrangement or understanding with or on behalf of, any officer, director or employee of the Company, any of its Subsidiaries, any Affiliate of any of them, or any business entity in which the Company, any Subsidiary or any Affiliate of any of them, or any relative of any such Person, has any material, direct or indirect interest;

(o) Commit any capital expenditure or expenditures in excess of \$250,000 in the aggregate above the capital expenditures set forth in the Company's fiscal 2006 budget forecasts.

(p) Except as required by changes in GAAP or Applicable Law, and as concurred in by its independent auditors, (i) make any change in the Company's methods or principles of accounting or (ii) revalue any of the Company's assets, including writing down the value of inventory or writing-off notes or accounts receivable;

(q) (i) Fail to file on a timely basis, including allowable extensions, with the appropriate Governmental Authorities, all Tax Returns required to be filed by or with respect to the Company and each of its Subsidiaries for taxable years or periods ending on or before the Closing Date and due on or prior to the Closing Date, (ii) fail to timely pay or remit (or cause to be paid or remitted) any Taxes due in respect of such Tax Returns, other than payments that are the subject of a good-faith dispute, (iii) adopt or change any accounting method in respect of Taxes, (iv) enter into any agreement or settle or compromise any material claim or assessment in respect of Taxes, or (v) file any material Tax Election or material amended Tax Return or consent to any extension or waiver of the statutory period of limitations period applicable to any claim or assessment in respect of Taxes;

(r) Commence, settle or compromise any pending or threatened Legal Proceeding, or pay, discharge or satisfy or agree to pay, discharge or satisfy any claim, liability, obligation (whether absolute, accrued, asserted or unasserted, contingent or otherwise) by or against the Company or any Subsidiary of the Company or relating to any of their businesses, properties or assets (whether real, personal or mixed, tangible or intangible), other than the settlement, compromise, payment, discharge or satisfaction of Legal Proceedings, claims or other Liabilities (i) reflected or reserved against in full in the Company Financials or (ii) the settlement, compromise, discharge or satisfaction of which does not include any obligation (other than the payment of money) to be performed by the Company or its Subsidiaries following the Effective Time and that does not involve the payment, individually or in the aggregate, of an amount exceeding \$250,000;

(s) Except as required by Applicable Law or any contract or agreement currently binding on the Company or its Subsidiaries, (i) adopt, amend, modify, or increase in any manner the amount of compensation or fringe benefits of, pay or grant any bonus, change of control, severance or

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termination pay to any officer, Employee or director of the Company or any Subsidiary of the Company, (ii) adopt or amend in any manner, any Company Stock Option Plan, Company Benefit Plan or other employee benefit agreement, trust, plan, fund or other arrangement for the compensation, benefit or welfare of any director, officer or Employee (each, a *Company Employee Plan*), (iii) fail to make any required contribution to any Company Employee Plan, (iv) make any contribution, other than regularly scheduled contributions, to any Company Employee Plan, (v) waive any stock repurchase rights, accelerate, amend or change the period of exercisability of any Company Options or reprice any Company Options, (vi) authorize cash payments in exchange for any Company Options, (vii) allocate bonus awards under a Company Employee Plan in a manner or amount not consistent with past practices, (viii) enter into any employment agreement, arrangement or understanding with any Employee or director or any indemnification agreement or arrangement with any Employee or director (other than offer letters and letter agreements entered into in the ordinary course of business consistent with past practices with employees who are terminable at will), (ix) enter into any collective bargaining or amend or extend any existing collective bargaining agreement, or (x) hire any employees or retain any consultant other than in the ordinary course of business consistent with past practices or hire, elect or appoint any officers or directors;

(t) (i) Grant any exclusive rights with respect to any Company Intellectual Property, (ii) divest any Company Intellectual Property, except if such divestiture or divestures, individually or in the aggregate, are not material to the Company, (iii) enter into any material contract, agreement or license that adversely affects, or could reasonably be expected to adversely affect, any patents or applications therefor, in each case, of the Company and its Subsidiaries, any parent of the Company or any other affiliates of such entity, or (iv) abandon or permit to lapse any rights to any United States patent or patent application;

(u) Take any action that would or could reasonably be expected to disqualify the Merger as a reorganization within the meaning of Section 368(a) of the Code;

(v) Enter into any contract, agreement, arrangement or understanding with a customer that contains any non-competition, exclusivity or most favored nations or similar terms or restrictions on the Company or its business, except for such terms or restrictions that would not restrict the business or assets of Parent and its Subsidiaries (other than the Surviving Corporation) in any way following completion of the Merger and are entered into in the ordinary course of business consistent with past practices; or

(w) Enter into any contract, arrangement or understanding to do any of the foregoing and, except as specifically permitted by this Agreement, authorize, recommend, take, commit, or agree in writing or otherwise to take, or announce an intention to take, any of the actions described in this Section 5.1, or any other action that results or is reasonably likely to (i) result in any of the conditions to the Merger set forth in Article VII hereof not being satisfied, (ii) result in any representation or warranty of the Company contained in this Agreement that is qualified as to materiality becoming untrue or incorrect or any representation or warranty not so qualified becoming untrue or incorrect in any material respect (provided that representations made as of a specific date shall be required to be so true and correct, subject to qualifications, as of such date only), (iii) prevent the Company from performing, or cause the Company not to perform, its covenants or agreements hereunder, or (iv) otherwise materially impair the ability of the Company to consummate the transactions contemplated hereby in accordance with the terms hereof or materially delay such consummation.

5.2. Conduct of Business by Parent. Parent also shall promptly notify in writing the Company of the occurrence of any Parent Material Adverse Effect or the occurrence of any event which is reasonably likely to result in a Parent Material Adverse Effect.. Except as otherwise expressly contemplated by this Agreement, as described in Section 5.2 of the Parent Disclosure Letter, or as required by Applicable Law, or to the extent that the Company shall otherwise consent in writing,

during the period from the date hereof and continuing until the earlier of the termination of this Agreement pursuant to Article VIII or the Effective Time (except as otherwise provided for in Section 5.2(d)), Parent, BV Sub and Merger Sub shall not do any of the following:

- (a) Adopt or propose to adopt any amendments to Parent Charter or Parent Bylaws that would reasonably be expected to interfere materially with the consummation of the Merger;
- (b) With respect to Parent only, split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock, other securities, or property) in respect of its capital stock or otherwise make any payments to stockholders in their capacity as such (except for purchases of Parent Common Stock pursuant to stock repurchase plans), unless the Exchange Ratio is proportionately adjusted, in which case the prior written consent of the Company shall not be required, but the Company shall be entitled to written notice of such event;
- (c) Adopt a plan of complete or partial liquidation or dissolution of Parent;
- (d) Take any action that would or could reasonably be expected to disqualify the Merger as a reorganization within the meaning of Section 368(a) of the Code, which covenant shall continue to apply after the Effective Time; or
- (e) Enter into any contract, arrangement or understanding to do any of the foregoing, and except as specifically permitted by this Agreement, authorize, recommend, take, commit, or agree in writing or otherwise to take, or announce an intention to take, any of the actions described in this Section 5.2, or any other action that results or is reasonably likely to (i) result in any of the conditions to the Merger set forth in Article VII not being satisfied, (ii) result in any representation or warranty of Parent, BV Sub or Merger Sub contained in this Agreement that is qualified as to materiality becoming untrue or incorrect or any representation or warranty not so qualified becoming untrue or incorrect in any material respect (provided that representations made as of a specific date shall be required to be so true and correct, subject to qualifications, as of such date only), (iii) prevent Parent, BV Sub or Merger Sub from performing, or cause Parent, BV Sub or Merger Sub not to perform, its covenants or agreements hereunder, or (iv) otherwise materially impair the ability of Parent, BV Sub or Merger Sub to consummate the transactions contemplated hereby in accordance with the terms hereof or materially delay such consummation.

5.3. **Control of Other Party's Business.** Nothing contained in this Agreement shall give Parent, BV Sub or Merger Sub, directly or indirectly, the right to control the Company's operations prior to the Effective Time. Prior to the Effective Time, each of Parent, BV Sub, Merger Sub and the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its respective business operations.

Article VI ADDITIONAL AGREEMENTS

6.1. *No Solicitation; Unsolicited Acquisition Proposals.*

- (a) **Termination of Certain Activities.** The Company and its Subsidiaries shall immediately cease and cause to be terminated any and all existing activities, discussions or negotiations with any third parties conducted heretofore with respect to any Acquisition Proposal and shall use commercially reasonable efforts to cause any such third parties (including their employees, agents and representatives) in possession of confidential information about the Company in connection with an Acquisition Proposal to return or destroy all such information and all materials, documents, analyses and other work product containing or derived from that information.

(b) **No Solicitation.** At all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Article VIII and the Effective Time, the Company and its Subsidiaries shall not, nor shall they authorize or permit any of their respective directors, officers or other employees, affiliates, or any investment banker, attorney or other advisor or representative retained by any of them to, directly or indirectly, (i) solicit, initiate or knowingly encourage the making, submission or announcement of, an Acquisition Proposal, (ii) furnish to any Person (other than Parent, BV Sub, Merger Sub or any designees of Parent, BV Sub or Merger Sub) any non-public information relating to the Company or any of its Subsidiaries, or afford access to the business, properties, assets, books or records of the Company or any of its Subsidiaries to any Person (other than Parent, BV Sub, Merger Sub or any designees of Parent, BV Sub or Merger Sub) in connection with any proposal that constitutes or could reasonably be expected to lead to an Acquisition Proposal, or take any other action intended to assist or facilitate any inquiries or the making of any proposal that constitutes or could reasonably be expected to lead to an Acquisition Proposal, (iii) participate or engage in discussions or negotiations with any Person with respect to an Acquisition Proposal (other than to notify such Person as to the existence of the provisions of this Section 6.1), (iv) approve, endorse or recommend an Acquisition Proposal, (v) enter into any letter of intent, memorandum of understanding or other agreement, contract or arrangement contemplating or otherwise relating to an Acquisition Proposal (except as permitted by Sections 6.1(c) or 8.1(j), or (vi) terminate, amend or waive any rights under any standstill or other similar agreement between the Company or any of its Subsidiaries and any Person (other than Parent).

(c) **Unsolicited Acquisition Proposals.** Notwithstanding any other provision of this Agreement, prior to the receipt of the Requisite Stockholder Approval, the Company may, at the direction of the Board of Directors or the Special Committee, directly or indirectly through advisors, agents or other intermediaries, subject to the Company's compliance with the provisions of this Section 6.1(c), (A) engage or participate in discussions or negotiations with any Person that has made (and not withdrawn) a bona fide, unsolicited Acquisition Proposal in writing that the Board of Directors of the Company or the Special Committee reasonably determines in good faith (after consultation with its respective financial advisor) constitutes or is reasonably likely to lead to a Superior Proposal and/or (B) furnish to any Person that has made (and not withdrawn) a bona fide, unsolicited Acquisition Proposal in writing that the Board of Directors of the Company or the Special Committee reasonably determines in good faith (after consultation with its respective financial advisor) constitutes or is reasonably likely to lead to a Superior Proposal any non-public information relating to the Company or any of its Subsidiaries pursuant to a confidentiality agreement the terms of which are no less favorable to the Company than those contained in the Confidentiality Agreement, provided further, that in the case of any action taken pursuant to the foregoing clauses (A) or (B), (1) none of the Company, its Subsidiaries or any representative of the Company or its Subsidiaries shall have materially breached or violated the terms of Section 6.1, (2) the Board of Directors of the Company or the Special Committee determines in good faith (after receiving the advice of its respective outside legal counsel) that such action is required in order to comply with its fiduciary duties to the stockholders of the Company under Delaware Law, (3) at least twenty-four (24) hours prior to engaging or participating in any such discussions or negotiations with, or furnishing any non-public information to, such Person, the Company provides Parent written notice of the identity of such Person and the material terms and conditions of such Acquisition Proposal (unless such Acquisition Proposal is in written form, in which case the Company shall provide Parent a copy thereof) and of the Company's intention to engage or participate in discussions or negotiations with, or furnish non-public information to, such Person, (4) promptly following receipt of any written communications from such Person in connection with such Acquisition Proposal, the Company provides Parent a copy of all written materials provided by or on behalf of such Person, and (5) contemporaneously with furnishing any non-public information to such Person, the Company furnishes such non-public information to Parent (but only to the extent

such information has not been previously furnished by the Company to Parent). Until any such Acquisition Proposal has been withdrawn, the Company shall promptly provide Parent a copy of all written materials subsequently provided to, by or on behalf of such Person in connection with such Acquisition Proposal, request or inquiry, including material amendments or proposed material amendments to such Acquisition Proposal, request or inquiry (but only to the extent such information has not been previously furnished by the Company to Parent).

(d) **Actions by Others.** Without limiting the generality of the foregoing, it is understood and agreed by the parties hereto that any material breach or violation of the restrictions set forth above in this Section 6.1 by any officer, director, agent, representative or affiliate of the Company shall be deemed to be a material breach of this Agreement by the Company.

6.2. **Board Recommendation.**

(a) **Recommendation to Company Stockholders.** Subject to the terms of Section 6.2(b), the Board of Directors of the Company shall recommend that the stockholders of the Company adopt and approve this Agreement and approve the Merger in accordance with the applicable provisions of Delaware Law (the *Board Recommendation*) and the Proxy Statement/Prospectus shall include a statement to that effect.

(b) **Changes to Board Recommendation.** Subject to the terms of this Section 6.2(b), neither the Board of Directors of the Company nor any committee thereof shall withhold, withdraw, amend or modify in a manner adverse to Parent, or publicly propose to withhold, withdraw, amend or modify in a manner adverse to Parent, the Board Recommendation (a *Board Recommendation Change*); provided, however, that notwithstanding the foregoing, at any time prior to the receipt of the Requisite Stockholder Approval, the Board of Directors of the Company and the Special Committee may effect a Board Recommendation Change if and only if either:

(i) (A) the Company has received an Acquisition Proposal that constitutes a Superior Proposal, (B) the Board of Directors of the Company or the Special Committee determines in good faith (after receiving the advice of its respective outside legal counsel and after considering in good faith any counter-offer or proposal made by Parent pursuant to clause (D) below), that, in light of such Superior Proposal, the Board of Directors of the Company or the Special Committee is required, in order to comply with its fiduciary duties to the stockholders of the Company under Delaware Law, to effect a Board Recommendation Change, (C) prior to effecting such Board Recommendation Change, the Company shall have given Parent at least two (2) Business Days notice thereof and the opportunity to meet with the Board of Directors of the Company and the Special Committee and their outside legal counsel, all with the purpose and intent of enabling Parent and the Company to discuss in good faith a modification of the terms and conditions of this Agreement so that the transactions contemplated hereby may be effected, and (D) Parent shall not have made, within two (2) Business Days after receipt of the Company's written notice of its intention to effect a Board Recommendation Change pursuant to this Section 6.2(b)(i), a counter-offer or proposal that the Board of Directors of the Company or the Special Committee reasonably determines in good faith, after consultation with its respective financial advisor and outside legal counsel, is at least as favorable to the stockholders of the Company as such Superior Proposal; or

(ii) except for a Board Recommendation Change that is effected (or that is proposed to be effected) in response to or in connection with a Superior Proposal (it being understood and agreed by the parties that any Board Recommendation Change that is effected or that is proposed to be effected in response to or in connection with a Superior Proposal may be made only pursuant to Section 6.2(b)(i) immediately above), (A) the Board of Directors of the Company or the Special Committee determines in good faith (after receiving the advice of its respective outside legal counsel) that it is required to effect a Board Recommendation Change in order to

comply with its fiduciary duties to the stockholders of the Company under Delaware Law, and (B) prior to effecting such Board Recommendation Change, the Company shall have given Parent at least two (2) Business Days notice thereof and the opportunity to meet with the Board of Directors of the Company and the Special Committee and their outside legal counsel, all with the purpose and intent of enabling Parent and the Company to discuss in good faith the purported basis for the proposed Board Recommendation Change, Parent's reaction thereto and any possible modification of the terms and conditions of this Agreement in response thereto.

(c) Nothing in this Agreement is intended to or shall prohibit the Board of Directors of the Company or the Special Committee from taking and disclosing to the stockholders of the Company a position in accordance with Rule 14e-2(a) under the Exchange Act or complying with the provisions of Rule 14d-9 under the Exchange Act; provided, however, that, in each case, any statement(s) made by the Board of Directors of the Company or the Special Committee pursuant to Rule 14e-2(a) under the Exchange Act or Rule 14d-9 under the Exchange Act shall be subject to the terms and conditions of this Agreement, including the provisions of Article VIII.

6.3. *Meeting of Company Stockholders.*

(a) ***Call of Meeting; Solicitation of Proxies.*** Subject to Section 6.4(a), the Company will take all action necessary to call, hold and convene a meeting of its stockholders, as promptly as practicable following the date hereof, for the purposes of voting on the adoption and approval of this Agreement and approval of the Merger (the *Company Stockholders Meeting*). The Company shall solicit proxies from the stockholders of the Company with respect to the adoption and approval of this Agreement and approval of the Merger and, consistent with its fiduciary duties, use its best efforts to secure the Requisite Stockholder Vote at the Company Stockholders Meeting. Unless this Agreement is earlier terminated pursuant to Article VIII, the Company shall establish a record date for, call, give notice of, convene and hold the Company Stockholders Meeting for the purpose of voting upon the adoption and approval of this Agreement and approval of the Merger in accordance with Delaware Law, whether or not the Board of Directors of the Company or the Special Committee at any time subsequent to the date hereof shall have effected a Board Recommendation Change or otherwise shall determine that this Agreement is no longer advisable or recommends that the stockholders of the Company reject this Agreement and the Merger. Notwithstanding anything to the contrary set forth in this Agreement, the Company's obligation to establish a record date for, call, give notice of, convene and hold the Company Stockholders Meeting pursuant to this Section 6.3 shall not be limited to, or otherwise affected by, the commencement, disclosure, announcement or submission to the Company of any Acquisition Proposal.

(b) ***Postponement or Adjournment.*** The Company may adjourn or postpone the Company Stockholders Meeting to the extent necessary to ensure that any necessary supplement or amendment to the Proxy Statement/Prospectus or Registration Statement is provided to its stockholders in advance of a vote on the adoption and approval of this Agreement and approval of the Merger, or, if as of the time the Company Stockholders Meeting is originally scheduled to be convened (as set forth in the Proxy Statement/Prospectus) there are insufficient shares of Company Common Stock represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of the Company Stockholders Meeting.

(c) ***Compliance with Law.*** The Company shall ensure that the Company Stockholders Meeting is called, noticed, convened, held and conducted, and that all proxies solicited by it in connection with the Company Stockholders Meeting are solicited, in compliance with the Exchange Act, Delaware Law, the Company's Charter Documents, applicable listing and corporate governance rules and regulations of NASDAQ, and all other provisions of Applicable Law.

6.4. *Proxy Statement and Registration Statement.*

(a) **Preparation and Filing.** As promptly as practicable after the execution of this Agreement, the Company and Parent shall prepare, and Parent shall file with the SEC the Registration Statement in accordance with the applicable requirements of the Securities Act (and, in which the Proxy Statement will be included) and the Company shall prepare the Proxy Statement in accordance with the applicable requirements of the Exchange Act (the Proxy Statement and the Prospectus included as part of the Registration Statement are referred to herein as the *Proxy Statement/Prospectus*). The Proxy Statement/Prospectus shall include the notice to stockholders required under Delaware Law with respect to the availability of appraisal rights to the stockholders of the Company. Each of the Company and Parent shall use commercially reasonable efforts to have the Registration Statement declared effective by the SEC under the Securities Act as promptly as practicable after such filing. Parent and the Company shall use their commercially reasonable efforts to cause the Proxy Statement/Prospectus to be mailed to the stockholders of the Company as promptly as practicable after the Registration Statement has been declared effective under the Securities Act. Parent shall also take any action required to be taken under any applicable state securities laws in connection with the issuance of shares of Parent Common Stock in the Merger, and each of Parent and the Company shall furnish all information as may be reasonably requested by the other in connection with any such action and the preparation and filing of the Registration Statement and the preparation, filing and distribution of the Proxy Statement/Prospectus.

(b) **Cooperation and Consultation; Amendments and Supplements.** No preparation or filing of the Registration Statement (including any amendments or supplements thereto) will be made by Parent, no preparation, filing or distribution of the Proxy Statement (including any amendments or supplements thereto) will be made by the Company, and no distribution of the Proxy Statement/Prospectus will be made by either Parent or the Company, in each case without providing the other party hereto with a reasonable opportunity to review and comment thereon. Parent and the Company each will notify the other party promptly upon the receipt of any comments from the SEC or its staff in connection with the initial filing of, or amendments or supplements to, the Registration Statement or Proxy Statement, as applicable, and shall supply each other with copies of all correspondence between Parent or the Company or any of their representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to the Registration Statement and the Proxy Statement. If at any time prior to the Effective Time, Parent or the Company becomes aware of any information that should be set forth in an amendment or supplement to the Registration Statement, the Proxy Statement or the Proxy Statement/Prospectus, so that either such document would not include any misstatement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, the party becoming aware of such information shall promptly notify the other parties hereto and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by Applicable Law or SEC staff request, disseminated to the stockholders of the Company.

(c) **Effective Date; Notice of Certain Actions.** The parties shall notify each other promptly of the time when the Registration Statement has become effective. The parties also shall notify each other promptly of the issuance of any stop order affecting the Registration Statement or suspension of the qualification of the Parent Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or injunction or other action of the SEC or other Governmental Authority prohibiting or limiting the use of the Proxy Statement/Prospectus in connection with the solicitation of proxies from the stockholders of the Company with respect to the adoption and approval of this Agreement and approval of the Merger and the offer and issuance of Parent Common Stock in connection therewith.

6.5. Confidentiality; Access to Information; No Modification of Representations, Warranties or Covenants.

(a) **Confidentiality.** The parties acknowledge that Parent and the Company have previously executed a Confidentiality/Non-Disclosure Agreement dated May 31, 2006 (the *Confidentiality Agreement*), which Confidentiality Agreement shall be deemed incorporated herein as if it were set forth in its entirety and shall continue in full force and effect in accordance with its terms and be unaffected by any termination of this Agreement.

(b) **Access to Information.** The Company shall afford Parent and its accountants, counsel and other representatives, reasonable access during the period from the date hereof and prior to the Effective Time to (i) all of the properties, assets, books, contracts, commitments and records of the Company and its Subsidiaries, including all Intellectual Property used by the Company (including access to design processes and methodologies and all source code), (ii) all other information concerning the business, properties and personnel (subject to restrictions imposed by Applicable Law) of the Company and its Subsidiaries as Parent may reasonably request, and (iii) all Employees of the Company and its Subsidiaries as identified by Parent. The Company agrees to provide to Parent and its accountants, attorneys, bankers and financial advisors and other representatives copies of internal financial statements (including Tax Returns and supporting documentation) promptly upon request. Parent shall afford the Company and its accountants, counsel and other representatives, reasonable access during the period from the date hereof and prior to the Effective Time to (i) properties, assets, books, contracts, commitments and records of the Parent and its Subsidiaries and (ii) all other information concerning the business, properties and personnel (subject to restrictions imposed by Applicable Law) of Parent and its Subsidiaries as the Company may reasonably request. Parent agrees to provide to the Company and its accountants, attorneys, bankers and financial advisors and other representatives copies of internal financial statements (including Tax Returns and supporting documentation) promptly upon request. No information or knowledge obtained in any investigation or notification pursuant to this Section 6.5 or otherwise shall affect or be deemed to modify any representation or warranty contained herein, the covenants or agreements of the parties hereto, the conditions to the obligations of the parties hereto under this Agreement, or the remedies available to the parties hereto under this Agreement. The terms and conditions of the Confidentiality Agreement shall apply to any information provided to the parties pursuant to this Section 6.5.

6.6. **Public Disclosure.** From the date hereof until the earlier of the Effective Time or the termination of this Agreement in accordance with Article VIII, Parent and the Company will consult with each other before issuing, and provide each other the opportunity to review, comment upon and concur with, and use reasonable efforts to agree on any press release or public statement with respect to this Agreement and the transactions contemplated hereby, including the Merger and any Acquisition Proposal, and will not issue any such press release or make any such public statement prior to such consultation and agreement, except as may be required by Applicable Law or any listing agreement with, in the case of Parent, the NYSE, and in the case of the Company, NASDAQ (in which case reasonable efforts to consult with the other party hereto shall be made prior to any such release or public statement). The parties have agreed to the text of the joint press release announcing the signing of this Agreement.

6.7. Regulatory Filings.

(a) **Regulatory Filings.** Each of Parent, BV Sub, Merger Sub and the Company shall coordinate and cooperate with one another and shall each use all reasonable efforts to comply with, and shall each refrain from taking any action that would impede compliance with, all Applicable Law, and as promptly as practicable after the date hereof, each of Parent, BV Sub, Merger Sub and the Company shall make all filings, notices, petitions, statements, registrations, submissions of information, application or submission of other documents required by any Governmental Authority in

connection with the Merger and the transactions contemplated hereby, including: (i) Notification and Report Forms with the FTC and the DOJ as required by the HSR Act, (ii) filings under any other comparable pre-merger notification forms reasonably determined by Parent to be required by the Antitrust Laws of any applicable jurisdiction, as agreed by the parties hereto and (iii) any filings required under the Securities Act, the Exchange Act, any applicable state or securities or blue sky laws and the securities laws of any foreign country, or any other legal requirement relating to the Merger. For purposes of this Agreement, Antitrust Law means the Sherman Act, as amended, the Clayton Act, as amended, Council Regulation (EC) 139/2004, the HSR Act, the Federal Trade Commission Act, as amended, and all other national, provincial, and state (U.S. and non-U.S.) statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or impeding or lessening of competition through merger or acquisition, in any case that are applicable to the transactions contemplated by this Agreement. Each of Parent and the Company will cause all documents that it is responsible for filing with any Governmental Authority under this Section 6.7(a) to comply in all material respects with all Applicable Law.

(b) **Exchange of Information.** Parent, BV Sub, Merger Sub and the Company each shall promptly supply the other with any information that may be required in order to effectuate any filings or application pursuant to Section 6.7(a). Except where prohibited by Applicable Law, and subject to the Confidentiality Agreement, each of the Company and Parent shall (i) consult with the other prior to taking a position with respect to any such filing, (ii) permit the other to review and discuss in advance, and consider in good faith the views of the other in connection with any analyses, appearances, presentations, memoranda, briefs, white papers, arguments, opinions and proposals before making or submitting any of the foregoing to any Governmental Authority by or on behalf of any party hereto in connection with any investigations or proceedings in connection with this Agreement or the transactions contemplated hereby (including under any applicable antitrust or fair trade law or regulation), (iii) coordinate with the other in preparing and exchanging such information and promptly provide the other and/or its counsel with copies of all filings, presentations or submissions (and a summary of any oral presentations) made by such party with any Governmental Authority in connection with this Agreement or the transactions contemplated hereby, provided, however, that with respect to any such filing, presentation or submission, each of Parent and the Company need not supply the other (or its counsel) with copies (or in the case of oral presentations, a summary) to the extent that any law, treaty, rule or regulation of any Governmental Authority applicable to such party requires such party or its Subsidiaries to restrict or prohibit access to any such properties or information, and (iv) cooperate in all respects with each other in connection with any investigation or other inquiry, including any proceeding initiated by a private party, and permit the other party to review any communication given by it to, and consult with each other in advance of any meeting or conference with, the FTC, the DOJ or any other Governmental Authority or, in connection with any proceeding by a private party, with any other Person, and to the extent permitted by the FTC, the DOJ or other applicable Governmental Authority or other Person, give the other party the opportunity to attend and participate in such meetings and conferences if permitted under Antitrust Laws. Notwithstanding the foregoing, except as may be agreed in connection with any joint defense agreement executed between counsel for Parent and counsel for the Company, Parent, BV Sub, Merger Sub and the Company will not be required to share with each other any documents covered by Item 4(c) of filings prepared in connection with the HSR Act.

(c) **Notification.** Each of Parent, BV Sub, Merger Sub and the Company will notify the other promptly upon the receipt of (i) any communications from any staff members or officials of any Governmental Authority in connection with any filings made pursuant to Section 6.7 hereof, (ii) any request by any officials of any Governmental Authority for amendments or supplements to any filings made pursuant to, or information provided to comply in all material respects with, any Applicable Law

and (iii) any communication received or given in connection with any proceeding by a private party seeking to enjoin the Merger under any Antitrust Law. Whenever any event occurs that is required to be set forth in an amendment or supplement to any filing made pursuant to Section 6.7(a), Parent, BV Sub, Merger Sub or the Company, as the case may be, will promptly inform the other of such occurrence and cooperate in filing with the applicable Governmental Authority such amendment or supplement.

(d) **Limitation on Divestiture.** In furtherance and not in limitation of the covenants of the parties contained in Sections 6.7(a) through (c), if any objections are asserted with respect to the transactions contemplated by this Agreement under any Antitrust Law or if any suit is instituted (or threatened to be instituted) by the FTC, the DOJ or any other applicable Governmental Authority or any private party challenging any of the transactions contemplated hereby as violative of any Antitrust Law or otherwise brought under any Antitrust Law that would otherwise prohibit or materially impair or materially delay the consummation of the transactions contemplated hereby, each of Parent, BV Sub, Merger Sub and the Company shall use its commercially reasonable best efforts to resolve any such objections or suits so as to permit consummation of the transactions contemplated by this Agreement. The Company shall not take or agree to take any Action of Divestiture that would reasonably be likely to adversely and materially impact Parent and its Subsidiaries taken as a whole, the Company and its Subsidiaries taken as a whole, or the benefits Parent expects to derive from the Merger and the transactions contemplated by this Agreement, without the prior written consent of Parent. For purposes of this Agreement, an *Action of Divestiture* shall mean (i) any license, sale or other disposition or holding separate (through establishment of a trust or otherwise) of any shares of capital stock or of any material business, assets or properties of Parent, its Subsidiaries or affiliates or of the Company or its Subsidiaries, (ii) the imposition of any material limitation on the ability of Parent, its Subsidiaries or affiliates or the Company or its Subsidiaries to conduct their respective businesses or own any capital stock or material assets or to acquire, hold or exercise all material rights of ownership of their respective businesses and, in the case of Parent, the businesses of the Company and its Subsidiaries, or (iii) the imposition of any material impediment on Parent, its Subsidiaries or affiliates or the Company or its Subsidiaries under any statute, rule, regulation, executive order, decree, order or other legal restraint governing competition, monopolies or restrictive trade practices.

6.8. **Other SEC Filings.** Each of Parent and the Company shall file with the SEC all annual, quarterly and current reports required to be filed by Parent and the Company under the Exchange Act for any and all periods ending prior to the Effective Time, which such annual, quarterly and current reports shall (i) be made on a timely basis pursuant to the requirements applicable to each such type of report and (ii) comply in all material respects with the rules and regulations of the SEC applicable to each such type of report.

6.9. **State Anti-Takeover Law.** In the event that any state anti-takeover or other similar statute or regulation is or becomes applicable to this Agreement, the Merger or any of the transactions contemplated by this Agreement, the Company, at the direction of the Board of Directors of the Company, shall use its best efforts to ensure that the Merger and the other transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms and subject to the conditions set forth in this Agreement, and otherwise to minimize the effect of any such statute or regulation on this Agreement, the Merger and the other transactions contemplated hereby.

6.10. **Third-Party Consents.** As soon as practicable following the date hereof, the Company will use all commercially reasonable efforts to obtain the consents, waivers and approvals under any of its or its Subsidiaries' respective Contracts required to be obtained in connection with the consummation of the transactions contemplated hereby, all of which consents, waivers and approvals are set forth in Section 3.3(c)(ii) of the Company Disclosure Letter. As soon as practicable following the date hereof, Parent will use all commercially reasonable efforts to obtain the consents, waivers, and approvals under any of its or its Subsidiaries' respective contracts required to be obtained in

connection with the consummation of the transactions contemplated hereby, all of which consents, waivers and approvals are set forth in Section 4.3(b) of the Parent Disclosure Letter. The Company's consents, waivers and approvals shall be in a form reasonably acceptable to Parent and Parent's consents, waivers and approvals shall be in a form reasonably acceptable to the Company.

6.11. *Notification of Certain Matters.*

(a) *By the Company.*

(i) At all times commencing with the execution and delivery of this Agreement and continuing until the earlier of the termination of this Agreement pursuant to Article VIII hereof and the Effective Time, the Company shall give prompt notice to Parent, BV Sub and Merger Sub (A) of any representation or warranty made by it contained in this Agreement becoming untrue or inaccurate in any material respect, or of any failure of the Company to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement, (B) of the occurrence of any Company Material Adverse Effect or the occurrence of any event which is reasonably likely to result in a Company Material Adverse Effect, or (C) any Legal Proceedings commenced or threatened in writing by any Person (including a Governmental Authority) that seek to prohibit or materially impair the consummation of the Merger and the transactions contemplated in this Agreement, including any Legal Proceeding commenced after the date hereof against the Company or any of its directors by any stockholders of the Company (on their own behalf or on behalf of the Company) relating to this Agreement or the transactions contemplated hereby, and the Company shall give Parent the opportunity to consult with the Company regarding the defense or settlement of any such stockholder Legal Proceeding and shall consider Parent's views with respect to such stockholder Legal Proceeding and shall not settle any such stockholder Legal Proceeding without the prior written consent of Parent. No notification and no information or knowledge obtained through notification pursuant to this Section 6.11(a)(i) or otherwise shall affect or be deemed to modify any representation or warranty contained herein, the covenants or agreements of the parties hereto, the conditions to the obligations of the parties hereto under this Agreement, or the remedies available to the parties hereto under this Agreement. The terms and conditions of the Confidentiality Agreement shall apply to any information provided to Parent pursuant to this Section 6.11(a)(i).

(ii) At all times commencing with the execution and delivery of this Agreement and continuing until the earlier of the termination of this Agreement pursuant to Article VIII and the Effective Time, the Company shall give prompt notice to Parent of (A) any notice or other communication received by it from any third party, subsequent to the date of this Agreement and prior to the Effective Time, alleging any material breach of or material default under any Material Contract to which the Company or any of its Subsidiaries is a party or (B) any notice or other communication received by the Company or any of its Subsidiaries from any third party, subsequent to the date of this Agreement and prior to the Effective Time, alleging that the consent of such third party is or may be required in connection with the transactions contemplated by this Agreement. No notification and no information or knowledge obtained through notification pursuant to this Section 6.11(a)(ii) or otherwise shall affect or be deemed to modify any representation or warranty contained herein, the covenants or agreements of the parties hereto, the conditions to the obligations of the parties hereto under this Agreement, or the remedies available to the parties hereto under this Agreement. The terms and conditions of the Confidentiality Agreement shall apply to any information provided to Parent pursuant to this Section 6.11(a)(ii).

(b) *By Parent, BV Sub and Merger Sub.* At all times commencing with the execution and delivery of this Agreement and continuing until the earlier of the termination of this Agreement

pursuant to Article VIII and the Effective Time, Parent, BV Sub and Merger Sub shall give prompt notice to the Company (A) of any representation or warranty made by them contained in this Agreement becoming untrue or inaccurate in any material respect, or of any failure of Parent, BV Sub or Merger Sub to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by them under this Agreement or (B) of the occurrence of any Parent Material Adverse Effect or the occurrence of any event which is reasonably likely to result in a Parent Material Adverse Effect, or (C) any Legal Proceedings commenced or threatened in writing by any Person (including a Governmental Authority) that seek to prohibit or materially impair the consummation of the Merger and the transactions contemplated in this Agreement, including any Legal Proceeding commenced after the date hereof against Parent or any of its directors by any stockholders of Parent (on their own behalf or on behalf of Parent) relating to this Agreement or the transactions contemplated hereby. No notification and no information or knowledge obtained through notification pursuant to this Section 6.11(b) or otherwise shall affect or be deemed to modify any representation or warranty contained herein, the covenants or agreements of the parties hereto, the conditions to the obligations of the parties hereto under this Agreement, or the remedies available to the parties hereto under this Agreement. The terms and conditions of the Confidentiality Agreement shall apply to any information provided to either party pursuant to this Section 6.11(b).

6.12. Options and Warrants.

(a) **Assumption of Certain Options.** At the Effective Time, each then-outstanding Company Option that is (i) not yet vested and exercisable by its terms, and regardless of the exercise price thereof, (ii) vested, with a per share exercise price that is greater than the market price per share of the Company's Common Stock on the day immediately prior to the Closing Date, or (iii) issued under the Company's 1999 Non-Employee Option Plan, is vested and currently exercisable (including Company Options which vest in connection with the Merger under applicable change of control provisions of the Company Stock Option Plans or other agreements identified in Section 3.2 of the Company Disclosure Letter) and which has a per share exercise price that is less than or equal to the market price per share of the Company's Common Stock on the day immediately prior to the Closing Date and which has not been exercised prior to the Effective Date (each, an *Assumed Option*) will be assumed by the Parent. Each Assumed Option will continue to have, and be subject to, the same terms and conditions set forth in the applicable Company Option (including any applicable stock option agreement or other document evidencing such Company Option) immediately prior to the Effective Time (including any repurchase rights or vesting provisions and including qualification as an incentive stock option under Section 422 of the Code if the Assumed Company Option so qualified), except that (i) each such Assumed Option will be exercisable (or will become exercisable in accordance with its terms) for that number of whole shares of Parent Common Stock equal to the product of (A) the number of shares underlying such Assumed Option and (B) 0.235 and (ii) the per share exercise price for the shares of Parent Common Stock issuable upon exercise of such Assumed Option will be equal to the quotient of (X) the exercise price of such Assumed Option and (Y) 0.235. With respect to each Assumed Option, the same vesting schedule as was applicable to the Assumed Option prior to the Effective Time will be applicable to the Assumed Option following the Effective Time. As soon as reasonably practicable, Parent will use all reasonable efforts to issue to each Person who holds an Assumed Option a document evidencing the foregoing assumption of such Company Option by Parent and, as a condition to such assumption, each former holder of a Company Option so assumed by Parent shall acknowledge the receipt of the same in exchange for such holder's Company Option. Prior to the Closing Date, the Company shall take all action necessary to permit Parent to assume the Company Options identified in this Section 6.12, including the adoption of amendments to the Company Stock Option Plans and/or the stock option agreements pertaining to such outstanding Company Options intended to become Assumed Options and shall use commercially reasonable efforts to obtain the amendments or consents of, or acknowledgments and releases from the holders of such Company Options, if so requested by Parent, which such

amendments, consents, acknowledgments or releases shall be in form reasonably satisfactory to Parent.

(b) ***Company Options Not Assumed.***

(i) Except as otherwise provided in this Section 6.12(b), all outstanding Company Options which are vested and currently exercisable (including Company Options which shall vest in connection with the Merger under applicable change of control provisions of the Company Stock Option Plans or other agreements identified in Section 3.2 of the Company Disclosure Letter) and which have a per share exercise price that is less than or equal to the market price per share of the Company's Common Stock on the day immediately prior to the Closing Date shall be cancelled, with such cancellation effective immediately prior to the Effective Time, and the Company shall promptly following the date of this Agreement (i) inform all affected holders of Company Options of the requirement to cause all of such Company Options to be cancelled and (ii) take all action necessary to cause such cancellation, including the adoption of amendments to the Company Stock Option Plans and/or the stock option agreements pertaining to all outstanding Company Options that are to be cancelled pursuant to this Section 6.12, and shall use commercially reasonable efforts to obtain the amendments or consents of, or acknowledgments and releases from the holders of such Company Options, if so requested by Parent, which such amendments, consents, acknowledgments or releases shall be in form reasonably satisfactory to Parent. With respect to the Company's 1999 Non-Employee Option Plan, the Company's obligation shall be limited to using all commercially reasonable efforts to cause the holders of Company Options outstanding under such plan to exercise such Company Options at or prior to Closing. The Company shall, promptly following the date of this Agreement, notify the holders of Company Options which may be affected by this Section 6.12(b) of the terms hereof.

(ii) Notwithstanding the provisions of Section 5.1 and Section 6.12(b)(i), following the date of this Agreement and prior to the Closing Date, the Company, through action of its Board of Directors or Compensation Committee, may provide that the Company Options identified above in Section 6.12(b)(i) may, at the election of the holder of such Company Options and in lieu of exercising such Company Options for shares of Company Common Stock, elect to exchange such Company Options for the Merger Consideration by making a Cash Election, a Stock Election or a Non-Election and agreeing that such Election shall be subject to the provisions of Article II applicable to holders of Company Common Stock generally. Such Company Options as to which the holders thereof choose to make an Election are referred to herein as *Exchanged Options*.

(c) ***Company Warrants.*** Notwithstanding the provisions of Section 5.1, the Company, shall provide that all outstanding Company Warrants may, at the election of the holder of such Company Warrants and in lieu of exercising such Company Warrants for shares of Company Common Stock or having such Company Warrants continue in effect following consummation of the Merger, elect to exchange such Company Warrants for the Per Share Stock Consideration (on a net basis, taking into account the exercise price of such Company Warrants). Such Company Warrants as to which the holders thereof choose to receive the Per Share Stock Consideration are referred to herein as *Exchanged Warrants*. The Company shall promptly following the date of this Agreement obtain and deliver to Parent written agreements, in form agreed to by Parent, from each holder of outstanding Company Warrants identified on *Schedule II*, which agreements shall provide that such holder will (i) exercise such Company Warrants in full at or prior to Closing, (ii) agree to have such Company Warrants become Exchanged Warrants pursuant to this Section 6.12(c), or (iii) be subject to a new warrant or warrants in replacement of such Company Warrants, in form agreed to by Parent and such holders; provided, however, that holders of all Company Warrants identified on *Schedule IV* shall agree to have such Company Warrants become Exchanged Warrants pursuant to this Section 6.12(c).

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6.13. **Form S-8.** Parent agrees to file a registration statement on Form S-8 (or any successor or other appropriate form) promptly after the Effective Time with respect to the shares of Parent Common Stock issuable with respect to any Company Options assumed by Parent in connection with the Merger, and shall use commercially reasonable efforts to maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as the Company Options assumed by Parent in accordance with this Agreement remain outstanding.

6.14. **Option Information.** Prior to the Effective Time, the Company shall provide to Parent with an update of the information required to be provided by the Company in accordance with Section 3.2(b) with respect to Company Options and Company Warrants, with such information to be as of the date immediately preceding the Effective Time.

6.15. **Indemnification.**

(a) **Indemnity.** For a period of six (6) years after the Effective Time, Parent shall, and shall cause the Surviving Corporation and its Subsidiaries to, to the extent permitted by Applicable Law, honor and fulfill in all respects the obligations of the Company and its Subsidiaries under any and all indemnification agreements (true and correct copies of which have been provided to Parent) in effect as of the date hereof between the Company or any of its Subsidiaries and any of their respective current or former directors and officers and any person who becomes a director or officer of the Company or any of its Subsidiaries prior to the Effective Time (collectively, the *Indemnified Parties*), with respect to any matter arising out of, relating to, or in connection with any acts or omissions occurring or alleged to have occurred prior to the Effective Time. In addition, for a period of six (6) years following the Effective Time, Parent shall (and shall cause the Surviving Corporation and its Subsidiaries to), to the extent permitted by Applicable Law, cause the certificate of incorporation and bylaws (and other similar organizational documents) of the Surviving Corporation and its Subsidiaries to contain provisions with respect to indemnification and exculpation in favor of such Indemnified Parties, with respect to any matter arising out of, relating to, or in connection with any acts or omissions occurring or alleged to have occurred prior to the Effective Time, that are at least as favorable as the indemnification and exculpation provisions contained in the Company Charter Documents and the Subsidiaries Charter Documents as in effect on the date hereof. Further, during such six-year period, neither Parent nor the Surviving Corporation shall settle, compromise or consent to the entry of any judgment in any proceeding or threatened action, suit, proceeding, investigation or claim, with respect to any matter arising out of, relating to, or in connection with any acts or omissions occurring or alleged to have occurred prior to the Effective Time (in which indemnification could be sought by such Indemnified Party under the indemnification provisions in the Company Charter Documents or his or her indemnification agreement), brought against any Indemnified Party, unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all liability arising out of such action, suit, proceeding, investigation or claim or such Indemnified Party otherwise consents and Parent and the Surviving Corporation shall (and shall cause its or their Subsidiaries to), cooperate in the defense of any such matter; provided, however, that an unconditional release or consent from such Indemnified Party will not be required for the settlement, compromise or consent to the entry of any judgment by Parent or the Surviving Corporation in any pending or threatened action, suit, proceeding, investigation or claim in connection with liability of such Indemnified Party (i) for any breach of a director's duty of loyalty to the Company or its Subsidiaries, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) any transaction from which a director derived an improper personal benefit.

(b) **Insurance.** For a period of six (6) years after the Effective Time, Parent will cause the Surviving Corporation to cause to be maintained directors and officers liability insurance covering those persons who are covered by the Company's directors and officers liability insurance policy as

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of the date hereof for events occurring on or prior to the Effective Time in an amount and scope at least as favorable as those in the current directors' and officers' insurance policy of the Company; provided, however, that in no event will Parent and/or the Surviving Corporation be required to pay annual premiums in excess of 250% of the current annual insurance premium. In the event that the annual premium would exceed 250% of the current annual insurance premium the Parent will cause the Surviving Corporation to cause to be maintained, for such amount the maximum amount of coverage as is available. Notwithstanding the foregoing, Parent may satisfy its and the Surviving Corporation's obligations under this Section 6.15(b) by purchasing a tail policy, or prior to the Effective Time or consenting to the purchase of a tail policy by the Company (which consent will not be unreasonably withheld, conditioned or delayed) (x) under the Company's existing directors' and officers' insurance policy or otherwise from Parent's insurance carrier on the date hereof or (y) from an insurance carrier with a financial rating of AX or better as rated by A.M. Best, which, in either case has an effective term of six (6) years from the Effective Time, covers those persons who are currently covered by the Company's directors' and officers' insurance policy in effect as of the date hereof for actions and omissions occurring on or prior to the Effective Time, and is written in an amount and scope at least as favorable as those in the Company's directors' and officers' insurance policy in effect as of the date hereof.

(c) **Third Party Beneficiaries.** This Section 6.15 is intended to be for the benefit of, and shall be enforceable by the Indemnified Parties and their heirs and personal representatives and shall be binding on Parent and the Surviving Corporation and their respective successors and assigns.

(d) **Tolling.** Notwithstanding anything herein to the contrary, if any claim, action, suit, proceeding or investigation (whether arising before, at or after the Effective Time) is made against any Indemnified Party on or prior to the sixth anniversary of the Effective Time, the provisions of this Section 6.15 shall continue in effect until the final disposition of such claim, action, suit, proceeding or investigation.

(e) **Continuing Obligation.** In the event that the Surviving Corporation or Parent or any of their respective successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or a majority of its properties and assets to any person, then, and in each such case, proper provision shall be made so that the successors and assigns of the Surviving Corporation or Parent, as the case may be, shall succeed to the obligations set forth in this Section 6.15.

6.16. **Affiliates.** The Company shall identify in a letter to Parent all Persons who are, on the date hereof, affiliates of the Company, as such term is used in Rule 145 under the Securities Act. The Company shall cause its respective affiliates to deliver to Parent, not later than ten (10) days prior to the date of the Company Stockholders Meeting, a written agreement substantially in the form attached as *Exhibit B* (the *Affiliate Letter*), and shall cause Persons who become affiliates after such date but prior to the Closing Date to execute and deliver such Affiliate Letters at least five (5) days prior to the Closing Date.

6.17. **Section 16 Matters.** Prior to the Effective Time, the Company shall take all such steps as may be required (to the extent permitted under Applicable Law) to cause any dispositions of Company Common Stock (including derivative securities with respect to Company Common Stock) resulting from the transactions contemplated by this Agreement by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company to be exempt under Rule 16b-3 promulgated under the Exchange Act.

6.18. **Tax Matters.** Each party shall use all commercially reasonable efforts to cause the Merger to qualify, and shall not take, and shall use all commercially reasonable efforts to prevent any Affiliate of such party from taking, any actions which could prevent the Merger from qualifying, as a reorganization under the provisions of Section 368(a) of the Code.

6.19. **FIRPTA Compliance.** On the Closing Date, the Company shall deliver to Parent a properly executed statement in a form reasonably acceptable to Parent for purposes of satisfying Parent's obligations under Treasury Regulation Section 1.1445-2(c)(3).

6.20. **NYSE Listing.** Parent shall use commercially reasonable efforts to cause the shares of Parent Common Stock to be issued in connection with the Merger to be approved for listing on the NYSE, subject to official notice of issuance, prior to the Effective Time.

6.21. **Termination or Exchange of Certain Agreements and Plans.**

(a) **Termination of Investor Rights Agreement.** Prior to the Effective Time, the Company shall take all action necessary to cause the termination of the Fourth Amended and Restated Investor Rights Agreement dated August 30, 2005 and shall provide Parent with written documentation of such action.

(b) **Termination of Loan and Security Agreement.** Prior to the Effective Time, the Company shall take all action necessary to cause the cancellation or termination of the Loan and Security Agreement, dated as of August 28, 2006, by and between the Company and Square 1 Bank and shall provide Parent with written documentation of such action.

(c) **Termination of 401(k) Plan.** Effective as of no later than the day immediately preceding the Closing Date, each of the Company, its Subsidiaries and any ERISA Affiliate shall terminate any and all Company Employee Plans intended to include an arrangement under Section 401(k) of the Code (each a *401(k) Plan*) unless Parent provides written notice to the Company that any such 401(k) plan shall not be terminated. Unless, no later than ten (10) Business Days prior to the Closing Date, Parent provides such written notice to the Company, then the Company shall provide Parent with evidence that such 401(k) Plan(s) have been terminated (effective as of no later than the day immediately preceding the Closing Date) pursuant to resolutions of the Board of Directors of the Company, its Subsidiaries or such ERISA Affiliate, as the case may be. Parent shall take all steps necessary to permit each Employee who has received an eligible rollover distribution (as defined in Section 402(c)(4) of the Code) from each 401(k) Plan, if any, to roll such eligible rollover distribution as part of any lump sum distribution to the extent permitted by each 401(k) Plan into an account under Parent's 401(k) plan (the *Parent's 401(k) Plan*), to the extent permitted by Parent's 401(k) Plan.

(d) **Warrant Agreements.** At or prior to the Closing, the Company shall have delivered to Parent written agreements, in form agreed to by Parent and the Company prior to the date hereof, from each holder of outstanding Company Warrants set forth on *Schedule II*, which agreement shall provide that such holder will either exercise such Company Warrants in full at or prior to Closing or be subject to a new warrant or warrants in replacement of such Company Warrants, in form agreed to by Parent and such holders.

6.22. **Additional Actions; Further Assurances.** Subject to the terms and conditions of this Agreement, each party agrees to use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under Applicable Law, or to remove any injunctions or other impediments or delays, to consummate and make effective the Merger and transactions contemplated hereby, subject, however, to the Requisite Stockholder Approval. Each of the parties agrees further shall take such additional action to deliver or cause to be delivered to other parties at the Closing and at such other times thereafter as shall be reasonably agreed by such parties such additional agreements or instruments as any of them may reasonably request for the purpose of carrying out this Agreement and the transactions contemplated hereby. At and after the Effective Time, the officers and directors of the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of the Company or Merger Sub, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company or Merger Sub, any other actions and things to vest, perfect or confirm of record or otherwise in the

Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets of the Company.

**ARTICLE VII
CONDITIONS TO THE MERGER**

7.1. **Conditions to the Obligations of Each Party to Effect the Merger.** The respective obligations of each of Parent, BV Sub, Merger Sub and the Company to effect the Merger shall be subject to the satisfaction, or, to extent permitted by Applicable Law, the waiver at or prior to the Closing Date of each of the following conditions:

(a) **Company Stockholder Approval.** This Agreement shall have been approved and adopted, and the Merger shall have been duly approved, by the Requisite Stockholder Approval.

(b) **No Legal Prohibition.** No Governmental Authority of competent jurisdiction shall have (i) adopted or issued a statute, rule, regulation or order or taken any other action (including the failure to have taken an action) that is in effect, in any case having the effect (or which reasonably could be expected to have the effect) of (A) making illegal the Merger or the transactions contemplated hereby or prohibiting or otherwise preventing the consummation of the Merger or any of the transactions contemplated hereby, (B) prohibiting or limiting in any material respect Parent's ability to vote, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of the Surviving Corporation, or (C) compelling the Company, Parent or any Subsidiary of Parent to take an Action of Divestiture as a result of the Merger or any of the transactions contemplated by this Agreement, or (ii) issued or granted or threatened in writing to issue or grant any judgment, injunction, order, decree, ruling or similar action (whether temporary, preliminary or permanent in character) that is in effect and has (or which reasonably could be expected to have) the effect of (A) making illegal the Merger or the transactions contemplated hereby or prohibiting or otherwise preventing the consummation of the Merger or any of the transactions contemplated hereby, (B) seeking to prohibit or limit or prohibiting or limiting in any material respect Parent's ability to vote, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of the Surviving Corporation, or (C) seeking to compel or compelling the Company, Parent or any Subsidiary of Parent to take an Action of Divestiture as a result of the Merger or any of the transactions contemplated by this Agreement.

(c) **HSR Act.** All waiting periods (and any extensions thereof) under the HSR Act relating to the transactions contemplated hereby shall have expired or shall have terminated.

(d) **Other Governmental Consents.** Each of the parties shall have obtained all other Necessary Governmental Consents required to consummate the Merger and the transactions contemplated thereby.

(e) **Registration Statement.** The Registration Statement shall have been declared effective by the SEC in accordance with the applicable provisions of the Securities Act, no stop order suspending the effectiveness of the Registration Statement shall have been issued by the SEC, and no proceedings for such purpose shall have been initiated or threatened by the SEC and not concluded or withdrawn.

(f) **Dissenting Shares.** The number of shares of Company capital stock which, as of the Closing, have become or could reasonably be expected to become Dissenting Shares shall not exceed ten percent (10%) of the aggregate number of shares of Company capital stock outstanding as of the record date for the Company Stockholders Meeting.

(g) **NYSE Listing.** The shares of Parent Common Stock to be issued in connection with the Merger shall have been approved for listing on the NYSE, subject to official notice of issuance.

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7.2. Additional Conditions to the Obligations of Parent, BV Sub and Merger Sub.

The obligations of Parent, BV Sub and Merger Sub to effect the Merger shall be subject to the satisfaction, or, to extent permitted by Applicable Law, the waiver by Parent, BV Sub and Merger Sub, at or prior to the Closing Date of each of the following conditions:

(a) **Representations and Warranties.** Each of the representations and warranties of the Company set forth in this Agreement or in any other document delivered pursuant hereto, without giving effect to any material, materially or Company Material Adverse Effect qualification contained in such representations and warranties, shall be true and correct in each case as of the date hereof and as of the Effective Time with the same effect as if made anew at and as of the Effective Time (except to the extent such representations and warranties specifically relate to a different date, in which case such representations and warranties shall be true and correct as of such different date), except where the failure to be true and correct has not had, and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. In addition, for purposes of determining the accuracy of the Company's representations and warranties under this Section 7.2(a), any update of or modification to the Company Disclosure Letter made or purported to have been made after the date of this Agreement shall be disregarded.

(b) **Agreements and Covenants.** The Company shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by the Company at or prior to the Closing Date.

(c) **No Company Material Adverse Effect.** From the date hereof through the Effective Time, there shall not have occurred and be continuing any change, event, occurrence, development or circumstance which, individually or in the aggregate, has had or would reasonably be expected to have, a Company Material Adverse Effect.

(d) **Tax Opinion.** Parent shall have received an opinion of Pepper Hamilton LLP, dated as of the Closing Date, to the effect that (i) the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, (ii) Parent and the Company shall each be a party to that reorganization, and (iii) no gain or loss shall be recognized by Parent or the Company because of the Merger. The issuance of such opinion shall be conditioned upon the receipt by such counsel of customary representation letters from each of Parent, BV Sub, Merger Sub, and the Company, in each case, in form and substance reasonably satisfactory to such counsel. Each such representation letter shall be dated on or before the date of such opinion and shall not have been withdrawn or modified in any material respect. In the event that counsel to Parent shall not render the opinion contemplated by this Section 7.2(d), this condition shall nonetheless be deemed satisfied if counsel to the Company shall render such opinion to Parent, in form and substance reasonably satisfactory to Parent; provided, however, that in rendering such opinion, such counsel may rely upon the representations letters referred to in this Section 7.2(d).

(e) **Third Party Consents.** The Company shall have delivered to Parent all of the consents, waivers and approvals set forth in Section 3.3(c)(i) of the Company Disclosure Letter.

(f) **Rule 145.** Parent shall have received the Affiliate Letters from all Persons who are affiliates of the Company, as such term is used in Rule 145 under the Securities Act.

(g) **Company Warrants.** The Company shall have obtained and delivered to Parent promptly following the date of this Agreement, written agreements, in form agreed to by Parent, from each holder of outstanding Company Warrants identified on *Schedule II*, which agreements shall provide that such holder will (i) exercise such Company Warrants in full at or prior to Closing, (ii) agreed to have such Company Warrants become Exchanged Warrants pursuant to Section 6.12(c), or (iii) be subject to a new warrant or warrants in replacement of such Company Warrants, in form agreed to by

Parent and such holders; provided, however, that holders of all Company Warrants identified on *Schedule IV* shall agree to have such Company Warrants become Exchanged Warrants pursuant to Section 6.12(c).

- (h) **Closing Deliveries.** All documents, instruments, certificates or other items required hereunder to be delivered at the Closing by or on behalf of the Company shall have been delivered.
- (i) **Officers Certificates.** Parent shall have received a certificate, dated as of the Closing Date, signed on behalf of the Company by the Company's Chief Executive Officer and Chief Financial Officer to the effect that the conditions set forth in Sections 7.2(a) and 7.2(b) have been satisfied.
- (j) **Termination of Certain Agreements; Termination of 401(k) Plan.** Parent shall have received evidence, satisfactory to Parent, of termination of (i) the Fourth Amended and Restated Investor Rights Agreement dated August 30, 2005, as amended among the Company and the parties listed therein, (ii) the Loan and Security Agreement, dated as of August 28, 2006, by and between the Company and Square 1 Bank, (iii) the 401(k) Plan and (iv) the Comerica Letter of Credit.

7.3. Additional Conditions to the Obligations of the Company. The obligations of the Company to effect the Merger shall be subject to the satisfaction, or, to extent permitted by Applicable Law, the waiver by the Company, at or prior to the Closing Date of each of the following conditions:

- (a) **Representations and Warranties.** Each of the representations and warranties of Parent, BV Sub and Merger Sub set forth in this Agreement or in any other document delivered pursuant hereto, without giving effect to any material, materially or Parent Material Adverse Effect qualification contained in such representations and warranties, shall be true and correct in each case as of the Effective Time (except to the extent such representations and warranties specifically related to a different date, in which case such representations and warranties shall be true and correct as of such different date), except where the failure to be true and correct has not had, and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. In addition, for purposes of determining the accuracy of the Parent's representations and warranties under this Section 7.3(a), any update of or modification to the Parent Disclosure Letter made or purported to have been made after the date of this Agreement shall be disregarded.
- (b) **Agreements and Covenants.** Parent, BV Sub and Merger Sub shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by them at or prior to the Closing Date.
- (c) **No Parent Material Adverse Effect.** From the date hereof through the Effective Time, there shall not have occurred and be continuing any change, event, occurrence, development or circumstance which, individually or in the aggregate, has had or would reasonably be expected to have, a Parent Material Adverse Effect.
- (d) **Tax Opinion.** The Company shall have received an opinion of Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, dated as of the Closing Date, to the effect that (i) the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, (ii) Parent and the Company shall each be a party to that reorganization, (iii) no gain or loss shall be recognized by a holder of Company Common Stock who exchanges shares of Company Common Stock solely for shares of Parent Common Stock except for any gain or loss recognized with respect to any cash received in lieu of fractional share interests, (iv) with respect to a holder of Company Common Stock who exchanges shares of Company Common Stock for shares of Parent Common Stock and cash, gain or income realized (if any), but not loss, will be recognized on the exchange, but only to the extent such gain or income does not exceed the amount of cash received, and (v) with respect to a holder of Company Common Stock who exchanges shares of Company Common Stock solely for cash, gain or loss will be recognized equal to the difference, if any, between the amount of cash received and the tax basis

of exchanged shares of Company Common Stock. The issuance of such opinion shall be conditioned upon the receipt by such counsel of customary representation letters from each of Parent, BV Sub, Merger Sub, and the Company, in each case, in form and substance reasonably satisfactory to such counsel. Each such representation letter shall be dated on or before the date of such opinion and shall not have been withdrawn or modified in any material respect. In the event that counsel to the Company shall not render the opinion contemplated by this Section 7.3(d), this condition shall nonetheless be deemed satisfied if counsel to the Parent shall render such opinion to the Company, in form and substance reasonably satisfactory to the Company; provided, however, that in rendering such opinion, such counsel may rely upon the representations letters referred to in this Section 7.3(d).

(e) **Third Party Consents** Parent shall have delivered to the Company all of the consents, waivers and approvals set forth in Section 4.3(c) of the Parent Disclosure Letter.

(f) **Closing Deliveries.** All documents, instruments, certificates or other items required to be delivered at the Closing by or on behalf of Parent, BV Sub and Merger Sub.

(g) **Officers Certificates.** The Company shall have received a certificate, dated as of the Closing Date, signed on behalf of Parent by an authorized executive officer of Parent (with respect to the representations, warranties, covenants and agreements of Parent) and signed on behalf of Merger Sub by an authorized executive officer of Merger Sub (with respect to the representations, warranties, covenants and agreements of Merger Sub) to the effect that the conditions set forth in Sections 7.3(a) and 7.3(b) have been satisfied.

ARTICLE VIII TERMINATION, AMENDMENT AND WAIVER

8.1. **Termination.** This Agreement may be terminated at any time prior to the Effective Time, by action taken by the terminating party or parties, and except as provided below, whether before or after the Requisite Stockholder Approval:

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

(b) by either Parent or the Company if the Merger shall not have been consummated by May 31, 2007 (the *End Date*); provided, however, that the right to terminate this Agreement pursuant to this Section 8.1(b) shall not be available to any party whose action or failure to act has been a principal cause of or resulted in the failure of the Merger to occur on or before such date and such action or failure to act constitutes a material breach of this Agreement; and, provided further that, in the event that the conditions set forth in Sections 7.1(c) or 7.1(d) shall not have been satisfied by May 31, 2007, and all other conditions set forth in Article VII have been satisfied (other than those conditions that by their terms are to be satisfied or waived at Closing), either Parent or the Company may unilaterally extend the End Date until June 30, 2007 upon written notice to the other by May 31, 2007, in which case the Termination Date shall be deemed for all purposes to be June 30, 2007;

(c) by either Parent or the Company if any Governmental Authority of competent jurisdiction shall have (i) adopted or issued a statute, rule, regulation or order or taken any other action (including the failure to have taken an action) that is in effect, in any case having the effect (or which reasonably could be expected to have the effect) of (A) making illegal the Merger or the transactions contemplated hereby or prohibiting or otherwise preventing the consummation of the Merger or any of the transactions contemplated hereby, (B) prohibiting or limiting in any material respect Parent's ability to vote, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of the Surviving Corporation, or (C) compelling the Company, Parent or any Subsidiary of Parent to take an Action of Divestiture as a result of the Merger or any of the transactions contemplated by this Agreement, or (ii) issued or granted any judgment, injunction, order, decree, ruling or similar action (whether temporary, preliminary or permanent in character) that is in effect and

has (or which reasonably could be expected to have) the effect of (A) making illegal the Merger or the transactions contemplated hereby or prohibiting or otherwise preventing the consummation of the Merger or any of the transactions contemplated hereby, (B) seeking to prohibit or limit or prohibiting or limiting in any material respect Parent's ability to vote, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of the Surviving Corporation, or (C) seeking to compel or compelling the Company, Parent or any Subsidiary of Parent to take an Action of Divestiture as a result of the Merger or any of the transactions contemplated by this Agreement, which judgment, injunction, order, decree, ruling or other action is final and nonappealable; provided, however, that the right to terminate this Agreement pursuant to this Section 8.1(c) shall not be available to any party whose breach of any provision of this Agreement results in or has been the primary cause of the imposition of such judgment, injunction, order, decree, ruling or other action; and provided, further, that the right to terminate this agreement pursuant to this Section 8.1(c) shall not be available to any party who has not used all commercially reasonable efforts to lift any such judgment, injunction, order, decree, ruling or other action;

(d) by either Parent or the Company if the Requisite Stockholder Approval shall not have been obtained by reason of the failure to obtain the required vote at the Company Stockholders Meeting (including any postponement or adjournment thereof); provided, however, that the right to terminate this Agreement under this Section 8.1(d) shall not be available to the Company in the event that the failure to obtain such stockholder approval shall have been caused by the action or failure to act of the Company in accordance with its obligations under Sections 6.3 and 6.4 hereof;

(e) by Parent, in the event a Triggering Event with respect to the Company shall have occurred; for the purposes of this Agreement, a *Triggering Event*, with respect to the Company, shall be deemed to have occurred if: (i) the Company shall have materially breached (or be deemed, pursuant to the terms thereof, to have breached) the provisions of Section 6.1 or Section 6.2, (ii) the Company's Board of Directors or any committee thereof shall for any reason have taken action (or failed to have taken action) such that a Change of Recommendation has occurred, (iii) the Company shall have failed to include in the Proxy Statement/Prospectus the Board Recommendation, (iii) the Company's Board of Directors or any committee thereof shall have for any reason approved or recommended that the stockholders of the Company approve any Acquisition Proposal (whether or not a Superior Proposal), (iv) the Company shall have entered into any letter of intent or similar document with respect to, or any agreement, contract or commitment accepting or agreeing to discuss, any Acquisition Proposal (whether or not a Superior Proposal), except for a confidentiality agreement entered into in accordance with Section 6.1, or (v) an Acquisition Proposal (whether or not a Superior Proposal) shall have been made by a Person unaffiliated with Parent, and the Company shall have sent to the stockholders of the Company, pursuant to Rule 14e-2 under the Exchange Act, a statement of the Board of Directors of the Company or any committee thereof recommending that the stockholders of the Company accept such Acquisition Proposal and tender shares of Company stock into such Acquisition Proposal, if made in the form of a tender or exchange offer;

(f) by Parent, if since the date of this Agreement, there shall have been any event, circumstance or fact that, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect (it being understood and agreed by the parties that if a Company Material Adverse Effect shall occur following the date of this Agreement and Parent chooses to terminate the Agreement in accordance with this Section 8.1(f), the Company shall not have any right to cure the Company Material Adverse Effect pursuant to Section 8.1(g);

(g) by Parent, if the Company shall have breached any of its covenants or obligations under this Agreement or if any representation or warranty of the Company under this Agreement shall have been untrue or incorrect, such that the conditions set forth in Sections 7.2(a) or 7.2(b) would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue or incorrect, provided, however, that if such inaccuracy in the Company's

representations and warranties or breach by the Company is curable by the Company prior to the Closing Date through the exercise of all commercially reasonable efforts, then Parent may not terminate this Agreement under this Section 8.1(g) prior to 20 days following the receipt of written notice from Parent to the Company of such breach, as long as the Company continues to exercise all commercially reasonable efforts to cure such breach during such 20 day period (it being understood that Parent may not terminate this Agreement pursuant to this Section 8.1(g) if it shall have materially breached this Agreement or if such breach by the Company is cured within such 20 day period; provided, however, that if the Closing Date is to occur on a date which is less than 20 days following the date of receipt of written notice by Parent to the Company, then such breach must be cured at or prior to the Closing Date);

(h) by the Company, if since the date of this Agreement, there shall have been any event, circumstance or fact that, individually or in the aggregate, has had or would reasonably be expected to have a Parent Material Adverse Effect (it being understood and agreed by the parties that if a Parent Material Adverse Effect shall occur following the date of this Agreement and the Company chooses to terminate the Agreement in accordance with this Section 8.1(h), Parent shall not have any right to cure the Parent Material Adverse Effect pursuant to Section 8.1(i);

(i) by the Company, if Parent, BV Sub or Merger Sub shall have breached any of its respective covenants or obligations under this Agreement or if any representation or warranty of Parent, BV Sub or Merger Sub under this Agreement shall have been untrue or incorrect, such that the conditions set forth in Sections 7.3(a) or 7.3(b) would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue or incorrect, provided, however, that if such inaccuracy in the Parent, BV Sub or Merger Sub's representations and warranties or breach by the Parent, BV Sub or Merger Sub is curable by Parent, BV Sub or Merger Sub prior to the Closing Date through the exercise of all commercially reasonable efforts, then the Company may not terminate this Agreement under this Section 8.1(i) prior to 20 days following the receipt of written notice from the Company to Parent, BV Sub and Merger Sub of such breach, as long as Parent, BV Sub and Merger Sub continue to exercise all commercially reasonable efforts to cure such breach during such 20 day period (it being understood that the Company may not terminate this Agreement pursuant to this Section 8.1(i) if it shall have materially breached this Agreement or if such breach by Parent, BV Sub or Merger Sub is cured within such 20 day period; provided, however, that if the Closing Date is to occur on a date which is less than 20 days following the date of receipt of written notice by the Company to Parent, then such breach must be cured at or prior to the Closing Date); or

(j) by the Company, if prior to approval of the Merger and this Agreement by the stockholders of the Company in accordance with this Agreement and concurrently with the termination, the Company shall enter into a definitive binding agreement with respect to a Superior Proposal (other than as a result of a breach or violation of the terms of Section 6.1) and the Company shall have paid to Parent the Termination Fee.

8.2. Notice of Termination; Effect of Termination. Any valid termination of this Agreement under Section 8.1 will be effective immediately upon the delivery of a valid written notice of the terminating party to the other party or parties hereto, as applicable. In the event of the valid termination of this Agreement as provided in Section 8.1, this Agreement shall be of no further force or effect without liability of any party or parties hereto, as applicable (or any stockholder, director, officer, employee, agent, consultant or representative of such party or parties) to the other party or parties hereto, as applicable, except as set forth in Section 6.5(a), Section 8.2, Section 8.3 and Article IX, each of which shall survive the termination of this Agreement; provided, however, that nothing herein shall relieve any party from liability to another party for any fraud or willful breach of this Agreement. In addition, the parties acknowledge and agree that no termination of this Agreement shall affect the

obligations of the parties contained in the Confidentiality Agreement, all of which obligations shall survive termination of this Agreement in accordance with their terms.

8.3. Fees and Expenses.

(a) **General.** Except as otherwise set forth in this Section 8.3, all fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees and expenses, whether or not the Merger is consummated; provided, however, that Parent and the Company shall share equally the filing fees and related expenses (but not attorneys' fees and expenses) in connection with (i) the filing of the Notification and Report Forms filed with the FTC and DOJ under the HSR Act and all premerger notification and reports forms under similar Applicable Laws of other jurisdictions, and (ii) the filing, printing and mailing of the Proxy Statement/Prospectus (including any preliminary materials related thereto) and the Registration Statement (including financial statements and exhibits) and any amendments or supplements thereto.

(b) **Termination Fee.**

(i) The Company shall pay to Parent a fee equal to \$6,250,000 (the *Termination Fee*), by wire transfer of immediately available funds to an account or accounts designated in writing by Parent, within one Business Day after demand by Parent, in the event that (A)(1) this Agreement is terminated by Parent or the Company pursuant to Section 8.1(b) or Section 8.1(d) or (2) this Agreement is terminated by Parent pursuant to Section 8.1(g), (B) following the execution and delivery of this Agreement and prior to the termination of this Agreement a bona fide Acquisition Proposal shall have been publicly announced or shall have become publicly known, or shall have been communicated or otherwise made known to the stockholders of the Company and not withdrawn (a *Prior Acquisition Proposal*), and (C) within twelve (12) months following the termination of this Agreement, either (X) an Acquisition is consummated with the Person having made a *Prior Acquisition Proposal* (whether or not the *Prior Acquisition Proposal* referenced in the preceding clause (B)), or (Y) the Company enters into a letter of intent, memorandum of understanding or other agreement or understanding providing for an Acquisition Proposal with the Person having made such *Prior Acquisition Proposal* (whether or not the *Prior Acquisition Proposal* referenced in the preceding clause (B)), or (Z) the Person having made a *Prior Acquisition Proposal* acquires beneficial ownership or the right to acquire beneficial ownership of, or any group (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations promulgated hereunder), shall have been formed which included such Person that beneficially owns, or has the right to acquire beneficial ownership of, outstanding shares of capital stock of the Company then representing 50% or more of the combined power to vote generally for the election of directors and the Company's Board of Directors has taken any action for the benefit of such Person or group, that facilitates the acquisition by such Person or group of such beneficial ownership (whether or not the transaction or transactions through which such beneficial ownership was obtained was the *Prior Acquisition Proposal* referenced in the preceding clause (B)). For the purpose of this Section 8.3(b)(i), the percentage 50% shall be substituted for 10% and 90% in the definition of *Acquisition Proposal* with respect to any transaction which does not involve a Person who, as of the date hereof or at any time prior to the Effective Time, holds or has the right to acquire any shares of capital stock of the Company (other than Parent).

(ii) In the event that this Agreement is terminated by the Company pursuant to Section 8.1(j), the Company shall pay to Parent a fee equal to the *Termination Fee* by wire transfer of immediately available funds to an account or accounts designated in writing by Parent within one Business Day after demand by Parent; provided, however, that if this Agreement is terminated by Parent pursuant to Section 8.1(e)(ii) and the publicly-stated reason for the Board

Recommendation Change is the occurrence and continuation of a Parent Material Adverse Effect, no Termination Fee pursuant to this Section 8.3(b)(ii) shall be payable.

(iii) In the event that this Agreement is terminated by the Company pursuant to Section 8.1(j), the Company shall pay to Parent a fee equal to the Termination Fee by wire transfer of immediately available funds to an account or accounts designated in writing by Parent within one Business Day after demand by Parent.

(c) **Enforcement.** The Company acknowledges that the agreements contained in this Section 8.3 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Parent, BV Sub and Merger Sub would not enter into this Agreement. Accordingly, if the Company fails to pay in a timely manner the amounts due pursuant to Section 8.3(b), and, in order to obtain such payment, the Parent makes a claim that results in a judgment against the Company for the amounts set forth in Section 8.3(b), the Company shall pay to the Parent the reasonable costs and expenses of the Parent (including reasonable attorneys' fees and expenses) in connection with such suit, together with interest on the amounts set forth in Section 8.3(b) at the prime rate published by The Wall Street Journal (Eastern Edition) and in effect on the date such payment was required to be made. Payment of the Termination Fee described in this Section 8.3 shall not be in lieu of damages incurred in the event of any breach of this Agreement.

8.4. **Amendment.** Subject to Applicable Law, this Agreement may be amended by the parties hereto at any time before or after approval of the Merger by the stockholders of the Company; provided, however, that after approval of the Merger by the stockholders of the Company, no amendment to this Agreement may be made which under Applicable Law or the applicable listing and corporate governance rules and regulations of NASDAQ further approval by the stockholders of the Company is required, unless such further stockholder approval is so obtained. This Agreement may be amended only by execution of an instrument in writing signed on behalf of each of Parent, BV Sub, Merger Sub and the Company.

8.5. **Extension; Waiver.** At any time prior to the Effective Time any party hereto may, to the extent legally permitted, extend the time for the performance of any of the obligations or other acts of the other parties hereto, waive any inaccuracies in the representations and warranties made to such party in this Agreement or in any document delivered pursuant hereto, and waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any agreement to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of the party agreeing to such extension or waiver. Any delay by a party in exercising any right under this Agreement shall not constitute a waiver of such right.

ARTICLE IX GENERAL PROVISIONS

9.1. **Non-Survival of Representations and Warranties.** The representations and warranties of the Company, Parent, BV Sub and Merger Sub contained in this Agreement, or any instrument delivered pursuant to this Agreement, shall terminate at the Effective Time, and only the covenants that by their terms survive the Effective Time and this Article IX shall survive the Effective Time.

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9.2. **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed duly given (i) on the date of delivery if delivered personally and/or by messenger service, (ii) on the date of confirmation of receipt (or, the first Business Day following such receipt if the date is not a Business Day) of transmission by facsimile, or (iii) on the date of confirmation of receipt (or, the first Business Day following such receipt if the date is not a Business Day) if delivered by a nationally recognized courier service. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

if to Parent, BV Sub or Merger Sub, to:

NAVTEQ Corporation
222 Merchandise Mart, Suite 900
Chicago, Illinois 60654
Attention: Lawrence M. Kaplan, General Counsel
Telephone: (312) 894-7000
Telecopy: (312) 894-7228

with copies (which shall not constitute notice) to:

Pepper Hamilton LLP
600 Fourteenth Street, N.W., Suite 500
Washington, D.C. 20005
Attention: Thomas L. Hanley
Telephone: (202) 220-1200
Telecopy: (202) 220-1665

if to the Company, to:

Traffic.com, Inc.
851 Duportail Road
Wayne, PA 19087
Attention: Brian Sisko, General Counsel
Telephone: (610) 725-9700
Telecopy: (610) 725-0847

with copies (which shall not constitute notice) to:

Klehr, Harrison, Harvey, Branzburg & Ellers, LLP
260 South Broad Street
Philadelphia, PA 19102
Attention: William Matthews and Barry Siegel
Telephone: 215-568-6060
Telecopy: 215-5686603

with an additional copy (which shall not constitute notice) to:

Morris, Nichols, Arsht & Tunnell LLP
1201 North Market Street
P.O. Box 1347
Wilmington, DE 19899-1347
Attention: Frederick H. Alexander, Esq.
Facsimile: 302-425-4666

9.3. **Interpretation.** When a reference is made in this Agreement to Exhibits or the Schedules, such reference shall be to the corresponding Exhibit or Schedule to this Agreement, unless otherwise indicated. When a reference is made in this Agreement to Articles or Sections, such reference shall be

to the corresponding Article or Section of this Agreement, unless otherwise indicated. For purposes of this Agreement, the words "include," "includes" and "including," when used herein, shall be deemed in each case to be followed by the words "without limitation." Unless the context otherwise requires, all defined terms contained herein shall include the singular and plural and the conjunctive and disjunctive forms of such defined terms. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

9.4. **Counterparts.** This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

9.5. **Attorneys Fees.** If any action at law or equity, including an action for declaratory relief, is brought to enforce or interpret any provision of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and expenses from the other party, which fees and expenses shall be in addition to any other relief which may be awarded.

9.6. **Entire Agreement; Third-Party Beneficiaries.** This Agreement and the documents and instruments and other agreements among the parties hereto as contemplated by or referred to herein, including the Company Disclosure Letter, the Parent Disclosure Letter and the Voting Agreements and other Exhibits and Schedules hereto constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, it being understood that the Confidentiality Agreement shall continue in full force and effect in accordance with its terms and shall survive any termination of this Agreement. This Agreement is not intended to confer upon any other Person any rights or remedies hereunder, except as specifically provided, following the Effective Time, in Section 6.15.

9.7. **Severability.** In the event that any provision of this Agreement or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement shall continue in full force and effect and the application of such provision to other Persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the greatest extent possible, the economic, business and other purposes of such void or unenforceable provision.

9.8. **Other Remedies.** Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached.

9.9. **Rules of Construction.** The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

9.10. **Assignment.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. No party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other parties, except that Parent may assign its rights and delegate its obligations hereunder to its

affiliates as long as Parent remains ultimately liable for all of Parent's obligations hereunder. Any purported assignment in violation of this Section 9.10 shall be void.

9.11. **Specific Performance.** The parties hereby acknowledge and agree that the failure of any party to perform its agreements and covenants hereunder, including its failure to take all actions pursuant thereto as are necessary on its part to the consummation of the Merger, will cause irreparable injury to the other parties. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any Delaware state court or, if under Applicable Law exclusive jurisdiction over such matter is vested in the federal courts, any court of the United States located in the State of Delaware, this being in addition to any other remedy to which such party is entitled at law or in equity.

9.12. **Governing Law; Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of law thereof. Each of the parties hereto (i) irrevocably consents to the jurisdiction and venue of the Delaware Court of Chancery or any court of the United States located in the State of Delaware in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the Delaware Court of Chancery or, if under Applicable Law exclusive jurisdiction over such matter is vested in the federal courts, any court of the United States located in the State of Delaware and (iv) consents to service being made through the notice procedures set forth in Section 9.2. Each of the Company, Parent, BV Sub and Merger Sub hereby agrees that service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth in Section 9.2 shall be effective service of process for any Legal Proceeding in connection with this Agreement or the transactions contemplated hereby.

9.13. **Waiver of Jury Trial.** EACH OF PARENT, MERGER SUB AND THE COMPANY HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF PARENT, MERGER SUB OR THE COMPANY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT HEREOF.

[remainder of page intentionally blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized respective officers as of the date first written above.

PARENT:

NAVTEQ CORPORATION

By: /s/ DAVID B. MULLEN
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

B.V. SUB:

NAVTEQ HOLDINGS B.V.

By: /s/ DAVID B. MULLEN
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

MERGER SUB:

NAVTEQ HOLDINGS DELAWARE, INC.

By: /s/ DAVID B. MULLEN
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

COMPANY:

Traffic.com, INC.

By: /s/ ROBERT N. VERRATTI
Name: Robert N. Verratti
Title: *CEO*

Exhibit A-1

STOCKHOLDER VOTING AGREEMENT

This STOCKHOLDER VOTING AGREEMENT (this *Agreement*) is made and entered into as of November 6, 2006 by and among NAVTEQ Corporation, a Delaware corporation (the *Parent*), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands (*BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (*Merger Sub*), Traffic.com, Inc., a Delaware corporation (the *Company*), and the person whose name appears on the signature page hereto as a Stockholder (the *Stockholder*) of the Company. Capitalized terms used and not otherwise defined herein, and defined in the Merger Agreement (as defined below), shall have the respective meanings ascribed to them in the Merger Agreement.

RECITALS

WHEREAS, concurrently with the execution of this Agreement, the Company, Parent, BV Sub and Merger Sub are entering into an Agreement and Plan of Merger of even date herewith (the *Merger Agreement*), pursuant to which the parties thereto have agreed, upon the terms and subject to the conditions set forth therein, to the Merger;

WHEREAS, the Stockholder is the beneficial owner of such number of shares of common stock of the Company, par value \$0.01 per share (the *Company Common Stock*), set forth on the signature page hereto, and options, warrants or other rights to acquire such number of shares of Company Common Stock as set forth on the signature page hereto; and

WHEREAS, as a material inducement and a condition to Parent, BV Sub and Merger Sub entering into the Merger Agreement, Parent has requested that the Stockholder agree, and the Stockholder has agreed (in the Stockholder's capacity as such), for the benefit of Parent, BV Sub and Merger Sub, to enter into this Agreement to facilitate the consummation of the Merger;

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, and intending to be legally bound hereby, Parent, BV Sub, Merger Sub and the Stockholder hereby agree as follows:

1. ***Certain Definitions.*** For purposes of this Agreement:

Expiration Date shall mean the earlier to occur of (a) such date and time as the Merger Agreement shall have been validly terminated pursuant to its terms, (b) the Effective Time, or (c) the occurrence of a Material Adverse Amendment.

Material Adverse Amendment means an amendment to the Merger Agreement that (i) materially and adversely affects the Stockholder and (ii) is approved by the Company's Board of Directors notwithstanding the fact that in such vote the Stockholder's nominee on the Company's Board of Directors voted against such amendment.

Shares means (a) all equity securities of the Company (including all shares of Company Common Stock, and all options, warrants and other rights to acquire shares of Company Common Stock) beneficially owned by the Stockholder as of the date of this Agreement and (b) all additional equity securities of the Company (including all additional options, warrants and other rights to acquire shares of Company Common Stock) of which Stockholder acquires beneficial ownership during the period commencing with the execution and delivery of this Agreement until the Expiration Date.

Voting Period means the period commencing on the date of this Agreement and continuing until the Expiration Date.

2. **Representations and Warranties of Stockholder.** The Stockholder represents and warrants to Parent, BV Sub and Merger Sub as follows:

(a) The Stockholder is the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act, provided, however, that for the purposes of this Agreement, such term shall include any Shares that may be acquired more than sixty (60) days from the date hereof) of all of the Shares. The Stockholder has sole voting power and the sole power of disposition with respect to all of the Shares, with no limitations, qualifications or restrictions on such rights (subject to applicable federal securities laws and the terms of this Agreement). Such Shares constitute all of the Shares beneficially owned by the Stockholder. The Shares are held by the Stockholder, or by a nominee or custodian for the benefit of the Stockholder, free and clear of all mortgages, claims, charges, liens, security interests, pledges, options, proxies, voting trusts or agreements (*Encumbrances*), except for any such Encumbrances arising hereunder and Encumbrances applicable to all securityholders alike, such as the restrictions upon resale imposed by the Securities Act.

(b) The Stockholder has the legal capacity, power and authority, as applicable, to enter into and perform all of the Stockholder's obligations under this Agreement. This Agreement has been duly and validly executed and delivered by the Stockholder and constitutes (assuming due execution and delivery of this Agreement by Parent, BV Sub and Merger Sub) a valid and binding agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles. The execution, delivery and performance of this Agreement by the Stockholder will not violate any agreement or court order to which the Stockholder is a party or is subject, including, without limitation, any voting agreement or voting trust, except for any of the foregoing as would not impair the Stockholder's ability to perform its obligations under this Agreement in any material respect.

(c) Except for any applicable filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority or any other Person is required to be made or obtained by the Stockholder for the execution of this Agreement by the Stockholder, compliance by the Stockholder with the provisions hereof or performance of the Stockholder's obligations hereunder.

(d) If the Stockholder is married and the Shares constitute community property, this Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding agreement of, the Stockholder's spouse, enforceable against such person in accordance with its terms.

(e) The Stockholder understands and acknowledges that Parent is entering into, and causing BV Sub and Merger Sub to enter into, the Merger Agreement in reliance upon the Stockholder's concurrent execution and delivery of this Agreement, including Parent's reliance on the Stockholder's representations and warranties contained herein.

3. **Representations and Warranties of the Company.** The Company hereby represents and warrants to Parent, BV Sub and Merger Sub as follows:

(a) The Company has the corporate power and authority to enter into and perform all of its obligations under this Agreement. This Agreement has been duly and validly executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles.

(b) Except for filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority is necessary for the execution of this Agreement

by the Company, compliance by the Company with the provisions hereof or performance of its obligations hereunder.

4. **Representations and Warranties of Parent, BV Sub and Merger Sub.** Parent and Merger Sub hereby represent and warrant to the Stockholder as follows:

(a) Parent, BV Sub and Merger Sub have the corporate power and authority to enter into and perform all of their respective obligations under this Agreement. This Agreement has been duly and validly executed and delivered by Parent, BV Sub and Merger Sub and constitutes a valid and binding agreement of each of them, enforceable against them in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles.

(b) Except for filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority is necessary for the execution of this Agreement by Parent, BV Sub or Merger Sub, compliance by Parent, BV Sub and Merger Sub with the provisions hereof or performance of their obligations hereunder.

5. **Voting Agreement.**

(a) The Stockholder hereby irrevocably and unconditionally agrees that, during the Voting Period, the Stockholder shall (i) appear (in person or by proxy) at any meeting (whether annual or special and whether or not an adjourned or postponed meeting) of the holders of Company Common Stock, properly called, or otherwise cause the Shares then beneficially owned by the Stockholder to be counted as present thereat for purposes of establishing a quorum, and (ii) vote or provide a written consent with respect to all Shares (or will cause all Shares to be voted, or cause a written consent to be provided with respect to all Shares) (A) in favor of adoption and approval of the Merger Agreement and approval of the Merger, not including any Material Adverse Amendment, (B) against any action, proposal, transaction or agreement that would result, or could reasonably be expected to result, in any material respect in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company contained in the Merger Agreement, and (C) against any proposal made in opposition to, or in competition with, consummation of the Merger and the other transactions contemplated by the Merger Agreement, including any Acquisition Proposal. In all other matters, the Shares shall be voted by and in the manner determined by the Stockholder.

(b) Notwithstanding any other provision of this Agreement, if the Stockholder is a director or officer of the Company, it is expressly understood and agreed that this Agreement shall not limit or restrict any actions taken by the Stockholder in his or her capacity as a director or officer of the Company either (i) pursuant to Applicable Law or (ii) in exercising the Company's rights or fulfilling the Company's obligations under the Merger Agreement (to the extent permitted or required by the Merger Agreement).

6. **Grant of Irrevocable Proxy.** Concurrently with the execution and delivery of this Agreement, the Stockholder has delivered to Parent a proxy in the form attached hereto as *Exhibit A* (the *Proxy*) with respect to the Shares. Such Proxy shall be irrevocable to the fullest extent permitted by Applicable Law and shall terminate upon the termination of this Agreement.

7. **No Solicitation.** The Stockholder shall, and shall cause its affiliates that it controls and its and its control affiliates' respective directors, officers, employees, investment bankers, attorneys, financial and other advisors or other representatives not to, directly or indirectly, (i) solicit, initiate, knowingly encourage, or induce the making, submission or announcement of, an Acquisition Proposal, (ii) furnish to any Person (other than Parent, BV Sub, Merger Sub or any designees of Parent, BV Sub or Merger Sub) any non-public information relating to the Company or any of its Subsidiaries, or afford access to the business, properties, assets, books or records of the Company or

any of its Subsidiaries to any Person (other than Parent, BV Sub, Merger Sub or any designees of Parent, BV Sub or Merger Sub), or take any other action intended to assist or facilitate any inquiries or the making of any proposal that constitutes or could reasonably be expected to lead to an Acquisition Proposal, (iii) participate or engage in discussions or negotiations with any Person with respect to an Acquisition Proposal (other than to notify such Person as to the existence of this provision), (iv) approve, endorse or recommend an Acquisition Proposal, (v) enter into any letter of intent, memorandum of understanding or other agreement, contract or arrangement contemplating or otherwise relating to an Acquisition Transaction, or (vi) terminate, amend or waive any rights under any standstill or other similar agreement between the Stockholder and any Person (other than Parent). The Stockholder shall immediately cease any and all existing activities, discussions or negotiations with any persons (other than Parent and its affiliates and representatives) conducted heretofore with respect to any Acquisition Proposal. Without limiting the generality of the foregoing, the Stockholder acknowledges and hereby agrees that any violation of the restrictions set forth in this Section 7 by the Stockholder or any representatives of the Stockholder shall be deemed to be a breach of this Section 7 by the Stockholder. The Stockholder shall not enter into any letter of intent or similar document or any agreement contemplating or otherwise relating to an Acquisition Proposal unless and until this Agreement is terminated pursuant to its terms.

8. **No Transfers During Voting Period.** The Stockholder agrees that during the Voting Period, except as expressly contemplated by the terms of this Agreement, such Stockholder shall not, directly or indirectly, (i) sell, transfer, tender, pledge, encumber, assign or otherwise dispose of (including by merger, testamentary disposition, interspousal disposition pursuant to spousal domestic relations proceedings or otherwise, or otherwise by operation of law) (collectively, *Transfer*) any of the Shares, or enter into any contract, option or other agreement to Transfer any of the Shares, or otherwise cause or permit the Transfer of any Shares, (ii) grant any proxies or powers of attorney or enter into any voting trust or other similar agreements or arrangements with respect to any Shares; (iii) request that the Company register the Transfer of any certificate or uncertificated interest representing any of the Shares, or (iv) take any action that would have the effect of preventing, impeding, interfering with or adversely affecting its ability to perform its obligations under this Agreement. The Stockholder hereby agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate stop transfer instructions to its transfer agent in respect of the Shares. Notwithstanding the foregoing or anything to the contrary set forth in this Agreement, the Stockholder may surrender shares in connection with cashless or net exercise provisions of Company Options or Warrants to the extent necessary to effect exercises thereof (including the payment of any taxes required to be withheld and paid with respect to such exercises).

9. **Acquisition of Additional Shares.**

(a) At all times during the period commencing with the execution and delivery of this Agreement and continuing until the Expiration Date, the Stockholder shall promptly notify Parent of the number of any additional shares of Company Common Stock and the number and type of any other voting securities of the Company acquired by the Stockholder, if any, after the date hereof. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall obligate the Stockholder to exercise any option, warrant or other right to acquire Shares.

(b) In the event of a stock dividend or distribution, or any change in the Shares by reason of any stock dividend or distribution, split-up, recapitalization, combination, exchange of shares or the like, the term *Shares* shall be deemed to refer to and include the Shares as well as all such stock dividends and distributions and any securities into which or for which any or all of the Shares may be changed or exchanged or which are received in such transaction.

10. **No Ownership Interest.** Nothing contained in this Agreement shall be deemed to vest in Parent any direct or indirect ownership or incidence of ownership of or with respect to any Shares.

Except as provided in this Agreement, all rights, ownership and economic benefits relating to the Shares shall remain vested in and belong to the Stockholder.

11. **Disclosure.** The Stockholder hereby agrees to permit Parent to publish and disclose in the Registration Statement and the Proxy Statement/Prospectus (including all documents and schedules filed with the SEC), and in any press release or other disclosure document which Parent reasonably determines to be necessary or desirable to comply with applicable law or the rules and regulations of The New York Stock Exchange in connection with the Merger and any transactions related thereto, the Stockholder's identity and ownership of the Shares and the nature of the Stockholder's commitments, arrangements and understandings under this Agreement, provided that any public announcement or disclosure is made in accordance with the terms of the Merger Agreement and the requirements of Applicable Law, subject to Parent using its reasonable best efforts to consult with the Stockholder and giving the Stockholder the right to review and comment upon any such disclosure. In addition, the Stockholder will cooperate with Parent in connection with the filing of any Schedule 13D or amendment thereto that Parent reasonably determines is required under the Exchange Act in connection with this Agreement.

12. **Consent and Waiver.** The Stockholder hereby gives any consents or waivers that are reasonably required for the consummation of the Merger under the terms of any agreement or instrument to which the Stockholder is a party. Without limiting the generality of or effect of the foregoing, the Stockholder hereby waives any and all rights to contest or object to the execution and delivery of the Merger Agreement, the actions of the Board of Directors of the Company in approving and recommending the Merger, the consummation of the Merger and the other transactions contemplated by the Merger Agreement, or to seek damages or other legal or equitable relief in connection therewith. From and after the Effective Time, the Stockholder's right to receive its portion of the Merger Consideration on the terms and subject to the conditions set forth in the Merger Agreement shall constitute the Stockholder's sole and exclusive right against the Company and/or Parent or Merger Sub in respect of the Stockholder's status as a stockholder of the Company.

13. **Confidentiality.** The Stockholder shall hold any information regarding this Agreement and the Merger in strict confidence and shall not divulge any such information to any third person (except to affiliates and to its limited partners, investment bankers, attorneys, financial and other advisors) until the Parent has publicly disclosed the Merger, except for disclosures which the Stockholder's legal counsel advises are necessary in order to fulfill such Stockholder's obligations imposed by law, in which event the Stockholder shall give prior notice of such disclosure to Parent as promptly as practicable. Subject to the exception in the immediately preceding sentence, neither the Stockholder, nor any of its affiliates shall issue or cause the publication of any press release or other public announcement with respect to this Agreement, the Merger, the Merger Agreement or other transactions contemplated thereby.

14. **Termination.** This Agreement shall automatically terminate (without requirement of further action or notice) on the Expiration Date.

15. **Miscellaneous.**

(a) This Agreement may be amended, modified or supplemented only by written agreement of the parties.

(b) Any failure of the Stockholder, on the one hand, or Parent and Merger Sub, on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived by Parent (with respect to any failure by the Stockholder) or the Stockholder (with respect to any failure by Parent or Merger Sub), respectively, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent

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or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 15(b).

(c) All notices and other communications hereunder shall be in writing and shall be delivered personally by overnight courier or similar means or sent by facsimile with written confirmation of receipt, to the parties at the addresses specified below (or at such other address for a party as shall be specified by like notice. Any such notice shall be effective upon receipt, if personally delivered or on the next business day following transmittal if sent by confirmed facsimile. Notices, including oral notices, shall be delivered as follows:

If to the Stockholder, at the address set forth on the signature page, with a copy to the address provided thereto (if blank no such copy shall be required).

if to Parent, BV Sub or Merger Sub, to:

NAVTEQ Corporation
222 Merchandise Mart, Suite 900
Chicago, Illinois 60654
Attention: Lawrence M. Kaplan
Facsimile: 312-894-7212

with a copy to:

Pepper Hamilton LLP
600 Fourteenth Street, N.W.
Washington, D.C. 20005
Attention: Thomas L. Hanley
Facsimile: 202-220-1665

(d) Neither this Agreement nor any right, interest or obligation hereunder shall be assigned by either of the parties hereto without the prior written consent of the other party. This Agreement shall be binding upon and inure to the benefit of Parent and Merger Sub and its and their successors and permitted assigns and shall be binding upon the Stockholder and the Stockholder's heirs, successors and assigns by will or by the laws of descent. This Agreement is not intended to confer any rights or remedies hereunder upon any other person except the parties hereto.

(e) This agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any conflicts of law provisions.

(f) EACH PARTY HEREBY IRREVOCABLY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING IN WHOLE OR IN PART UNDER, RELATED TO, BASED ON, OR IN CONNECTION WITH, THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN TORT OR CONTRACT OR OTHERWISE.

(g) Each of the parties hereto (i) irrevocably consents to the jurisdiction and venue of the Delaware Court of Chancery or any court of the United States located in the State of Delaware in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the Delaware Court of Chancery or, if under Applicable Law exclusive jurisdiction over such matter is vested in the federal courts, any court of the United States located in the State of Delaware and

(iv) consents to service being made through the notice procedures set forth in Section 15(c). Each party hereby agrees that service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth herein for the delivery of notices generally shall be effective service of process for any legal proceeding in connection with this Agreement or the transactions contemplated hereby.

(h) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(i) In case any one or more of the provisions contained in this Agreement should be finally determined to be invalid, illegal or unenforceable in any respect against a party hereto, it shall be adjusted if possible to effect the intent of the parties. In any event, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability shall only apply as to such party in the specific jurisdiction where such final determination shall have been made.

(j) The section headings contained in this Agreement are solely for the purpose of reference and shall not in any way affect the meaning or interpretation of this Agreement. The word including shall be deemed to mean including without limitation.

(k) This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no representations, promises, warranties, covenants, or undertakings, other than those expressly set forth or referred to herein and therein.

(l) The parties hereby acknowledge and agree that the failure of any party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part in accordance with the terms and conditions of this Agreement to facilitate the Merger, will cause irreparable injury to the other parties, for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder.

(m) Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party shall be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy shall not preclude the exercise of any other remedy.

(n) All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

(o) Each party to this Agreement has been represented by counsel during the preparation and execution of this Agreement, and therefore waives any rule of construction that would construe ambiguities against the party drafting the agreement.

(p) From time to time, at the other party's request and without further consideration, each party hereto shall execute and deliver such additional documents and take all such further action as may be reasonably necessary to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have signed this Stockholder Voting Agreement, in the case of each of Parent, BV Sub and Merger Sub, by its duly authorized officer, as of the date first above written.

NAVTEQ CORPORATION

By:
Name:
Title:
NAVTEQ HOLDINGS DELAWARE, INC.

By:
Name:
Title:

STOCKHOLDER

Name (print)

Signature
Stockholder Address:

NAVTEQ HOLDINGS B.V.

By:
Name:
Title:

SPOUSE SIGNATURE (if applicable)

Name (print)

Signature
with a copy to:

Shares Beneficially Owned:

**NUMBER OF OUTSTANDING SHARES OF COMMON STOCK
BENEFICIALLY OWNED BY STOCKHOLDER:**

NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:

NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:

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EXHIBIT A

IRREVOCABLE PROXY

The undersigned Stockholder (the *Stockholder*) of Traffic.com, Inc., a Delaware corporation (the *Company*), hereby irrevocably (to the fullest extent permitted by law) appoints each of Judson D. Green, David Mullen and Lawrence M. Kaplan of NAVTEQ Corporation, as the sole and exclusive attorneys and proxies of the undersigned, with full power of substitution and resubstitution, to vote and exercise all voting and related rights (to the full extent that the undersigned is entitled to do so) with respect to all of the shares of capital stock of the Company that now are or hereafter may be beneficially owned by the undersigned, and any and all other shares or securities of the Company issued or issuable in respect thereof on or after the date hereof (collectively, the *Shares*), in accordance with the terms of this Proxy. The Shares beneficially owned by the Stockholder as of the date of this Proxy are listed on the signature page of this Proxy, along with the number(s) of the stock certificate(s) representing such Shares. Upon the Stockholder's execution of this Proxy, any and all prior proxies given by the undersigned with respect to any Shares are hereby revoked and terminated, and the Stockholder agrees not to grant any subsequent proxies with respect to the Shares until after the Expiration Date (as defined below).

This Proxy is irrevocable (to the fullest extent permitted by law), is coupled with an interest and is granted pursuant to that certain Stockholder Voting Agreement of even date herewith (the *Voting Agreement*) by and among NAVTEQ Corporation, a Delaware corporation (the *Parent*), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands (*BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (*Merger Sub*), the Company and the undersigned Stockholder of the Company, and is granted in consideration of Parent, BV Sub and Merger Sub entering into that certain Agreement and Plan of Merger of even date herewith (as it may hereafter be amended from time to time in accordance with the provisions thereof, the *Merger Agreement*) by and among Parent, BV Sub, Merger Sub and the Company. The Merger Agreement provides for the merger of the Company with and into Merger Sub (the *Merger*), and Stockholder will be entitled to receive a portion of the consideration payable in connection with the Merger. The term *Expiration Date*, as used in this Proxy, shall mean the earlier to occur of (i) such date and time as the Merger Agreement shall have been validly terminated pursuant to its terms, (ii) such date and time as the Merger shall become effective in accordance with the terms and conditions set forth in the Merger Agreement or (iii) the occurrence of a Material Adverse Amendment. The term *Material Adverse Amendment* means an amendment to the Merger Agreement that (i) materially and adversely affects the Stockholder and (ii) is approved by the Company's Board of Directors notwithstanding the fact that in such vote the Stockholder's nominee on the Company's Board of Directors voted against such amendment.

The attorneys and proxies named above, and each of them, are hereby authorized and empowered by the Stockholder, at any time prior during the Voting Period (as defined in the Voting Agreement), to act as the Stockholder's attorney and proxy to vote all of the Shares, and to exercise all voting, consent and similar rights of the undersigned with respect to all of the Shares (including, without limitation, the power to execute and deliver written consents) at every annual or special meeting of stockholders of the Company (and at every adjournment or postponement thereof), and in every written consent in lieu of such meeting:

- (a) in favor of the approval and adoption of the Merger Agreement and approval of the Merger, not including any Material Adverse Amendment;
- (b) against the approval of any action, proposal, transaction or agreement that would result, or could reasonably be expected to result, in any material respect in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company contained in the Merger Agreement; and

(c) against any proposal made in opposition to, or in competition with, consummation of the Merger and the other transactions contemplated by the Merger Agreement, including any Acquisition Proposal (as defined in the Merger Agreement).

The attorneys and proxies named above may not exercise this Proxy on any other matter except as provided in clauses (a), (b) and (c) above. The Stockholder may vote the Shares on all other matters. Notwithstanding anything in this Proxy to the contrary, if the Stockholder is a director or officer of the Company, nothing contained in this Proxy shall not limit or restrict any actions taken by the Stockholder in his or her capacity as a director or officer of the Company either (i) pursuant to Applicable Law or (ii) in exercising the Company's rights or fulfilling the Company's obligations under the Merger Agreement (to the extent permitted or required by the Merger Agreement).

Any obligation of Stockholder hereunder shall be binding upon the successors and assigns of Stockholder.

This Proxy shall terminate, and be of no further force and effect, automatically upon the Expiration Date.

[signature page follows]

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IN WITNESS WHEREOF, the Stockholder has caused this Irrevocable Proxy to be duly executed as of the day and year first above written.

STOCKHOLDER:

Signature:

Name:

Address

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK

BENEFICIALLY OWNED BY STOCKHOLDER:

NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:

NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:

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STOCKHOLDER VOTING AGREEMENT

This STOCKHOLDER VOTING AGREEMENT (this *Agreement*) is made and entered into as of November 5, 2006 by and among NAVTEQ Corporation, a Delaware corporation (the *Parent*), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands (*BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (*Merger Sub*), Traffic.com, Inc., a Delaware corporation (the *Company*), and the person whose name appears on the signature page hereto as a Stockholder (the *Stockholder*) of the Company. Capitalized terms used and not otherwise defined herein, and defined in the Merger Agreement (as defined below), shall have the respective meanings ascribed to them in the Merger Agreement.

RECITALS

WHEREAS, concurrently with the execution of this Agreement, the Company, Parent, BV Sub and Merger Sub are entering into an Agreement and Plan of Merger of even date herewith (the *Merger Agreement*), pursuant to which the parties thereto have agreed, upon the terms and subject to the conditions set forth therein, to the Merger;

WHEREAS, the Stockholder is the beneficial owner of such number of shares of common stock of the Company, par value \$0.01 per share (the *Company Common Stock*), set forth on the signature page hereto, and options, warrants or other rights to acquire such number of shares of Company Common Stock as set forth on the signature page hereto;

WHEREAS, the Stockholder has expressed its intention to elect to receive the Merger Consideration in respect of such Shares (as defined below) beneficially owned by such Stockholder entirely in shares of Parent Common Stock through the making of a Stock Election;

WHEREAS, as a material inducement and a condition to Parent, BV Sub and Merger Sub entering into the Merger Agreement, Parent has requested that the Stockholder agree, and the Stockholder has agreed (in the Stockholder's capacity as such), for the benefit of Parent, BV Sub and Merger Sub, to enter into this Agreement to facilitate the consummation of the Merger;

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, and intending to be legally bound hereby, Parent, BV Sub, Merger Sub and the Stockholder hereby agree as follows:

1. ***Certain Definitions.*** For purposes of this Agreement:

Expiration Date shall mean the earlier to occur of (a) such date and time as the Merger Agreement shall have been validly terminated pursuant to its terms, (b) the Effective Time, or (c) the occurrence of a Material Adverse Amendment; provided, however, that the obligations of the Stockholder pursuant to Section 9 hereof shall survive the Expiration Date and continue for such time as provided in Section 9.

Material Adverse Amendment means an amendment to the Merger Agreement that (i) materially and adversely affects the Stockholder and (ii) is approved by the Company's Board of Directors notwithstanding the fact that in such vote the Stockholder's nominee on the Company's Board of Directors voted against such amendment.

Shares means (a) all equity securities of the Company (including all shares of Company Common Stock, and all options, warrants and other rights to acquire shares of Company Common Stock) beneficially owned by the Stockholder as of the date of this Agreement and (b) all additional

equity securities of the Company (including all additional options, warrants and other rights to acquire shares of Company Common Stock) of which Stockholder acquires beneficial ownership during the period commencing with the execution and delivery of this Agreement until the Expiration Date; provided, however, that nothing herein shall obligate the holder to acquire additional equity securities of the Company, by exercise of options, warrants or other rights to acquire, or otherwise.

Voting Period means the period commencing on the date of this Agreement and continuing until the Expiration Date.

2. ***Representations and Warranties of Stockholder.*** The Stockholder represents and warrants to Parent, BV Sub and Merger Sub as follows:

(a) The Stockholder is the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act, provided, however, that for the purposes of this Agreement, such term shall include any Shares that may be acquired more than sixty (60) days from the date hereof) of all of the Shares. The Stockholder has sole voting power and the sole power of disposition with respect to all of the Shares, with no limitations, qualifications or restrictions on such rights (subject to applicable federal securities laws and the terms of this Agreement). Such Shares constitute all of the Shares beneficially owned by the Stockholder. The Shares are held by the Stockholder, or by a nominee or custodian for the benefit of the Stockholder, free and clear of all mortgages, claims, charges, liens, security interests, pledges, options, proxies, voting trusts or agreements (*Encumbrances*), except for any such Encumbrances arising hereunder and Encumbrances applicable to all securityholders alike, such as the restrictions upon resale imposed by the Securities Act.

(b) The Stockholder has the legal capacity, power and authority, as applicable, to enter into and perform all of the Stockholder's obligations under this Agreement. This Agreement has been duly and validly executed and delivered by the Stockholder and constitutes (assuming due execution and delivery of this Agreement by Parent, BV Sub and Merger Sub) a valid and binding agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles. The execution, delivery and performance of this Agreement by the Stockholder will not violate any agreement or court order to which the Stockholder is a party or is subject, including, without limitation, any voting agreement or voting trust, except for any of the foregoing as would not impair the Stockholder's ability to perform its obligations under this Agreement in any material respect.

(c) Except for any applicable filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority or any other Person is required to be made or obtained by the Stockholder for the execution of this Agreement by the Stockholder, compliance by the Stockholder with the provisions hereof or performance of the Stockholder's obligations hereunder.

(d) The Stockholder understands and acknowledges that Parent is entering into, and causing BV Sub and Merger Sub to enter into, the Merger Agreement in reliance upon the Stockholder's concurrent execution and delivery of this Agreement, including Parent's reliance on the Stockholder's representations and warranties contained herein.

3. ***Representations and Warranties of the Company.*** The Company hereby represents and warrants to Parent, BV Sub and Merger Sub as follows:

(a) The Company has the corporate power and authority to enter into and perform all of its obligations under this Agreement. This Agreement has been duly and validly executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except to the extent that its enforceability may be limited

by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles.

(b) Except for filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority is necessary for the execution of this Agreement by the Company, compliance by the Company with the provisions hereof or performance of its obligations hereunder.

4. **Representations and Warranties of Parent, BV Sub and Merger Sub.** Parent, BV Sub and Merger Sub hereby represent and warrant to the Stockholder as follows:

(a) Parent, BV Sub and Merger Sub have the corporate power and authority to enter into and perform all of their respective obligations under this Agreement. This Agreement has been duly and validly executed and delivered by Parent, BV Sub and Merger Sub and constitutes a valid and binding agreement of each of them, enforceable against them in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles.

(b) Except for filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority is necessary for the execution of this Agreement by Parent, BV Sub or Merger Sub, compliance by Parent, BV Sub and Merger Sub with the provisions hereof or performance of their obligations hereunder.

5. **Voting Agreement.**

(a) The Stockholder hereby irrevocably and unconditionally agrees that, during the Voting Period, the Stockholder shall (i) appear (in person or by proxy) at any meeting (whether annual or special and whether or not an adjourned or postponed meeting) of the holders of Company Common Stock, properly called, or otherwise cause the Shares then beneficially owned by the Stockholder to be counted as present thereat for purposes of establishing a quorum, and (ii) vote or provide a written consent with respect to all Shares (or will cause all Shares to be voted, or cause a written consent to be provided with respect to all Shares) (A) in favor of adoption and approval of the Merger Agreement and approval of the Merger, not including any Material Adverse Amendment, (B) against any action, proposal, transaction or agreement that would result, or could reasonably be expected to result, in any material respect in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company contained in the Merger Agreement, and (C) against any proposal made in opposition to, or in competition with, consummation of the Merger and the other transactions contemplated by the Merger Agreement, including any Acquisition Proposal. In all other matters, the Shares shall be voted by and in the manner determined by the Stockholder.

(b) Notwithstanding any other provision of this Agreement, if the Stockholder is a director or officer of the Company, it is expressly understood and agreed that this Agreement shall not limit or restrict any actions taken by the Stockholder in his or her capacity as a director or officer of the Company either (i) pursuant to Applicable Law or (ii) in exercising the Company's rights or fulfilling the Company's obligations under the Merger Agreement (to the extent permitted or required by the Merger Agreement).

6. **Grant of Irrevocable Proxy.** Concurrently with the execution and delivery of this Agreement, the Stockholder has delivered to Parent a proxy in the form attached hereto as *Exhibit A* (the *Proxy*) with respect to the Shares. Such Proxy shall be irrevocable to the fullest extent permitted by Applicable Law and shall terminate upon the termination of this Agreement.

7. **No Solicitation.** The Stockholder shall, and shall cause its affiliates that it controls and its and its control affiliates' respective directors, officers, employees, investment bankers, attorneys,

financial and other advisors or other representatives not to, directly or indirectly, (i) solicit, initiate, knowingly encourage, or induce the making, submission or announcement of, an Acquisition Proposal, (ii) furnish to any Person (other than Parent, BV Sub, Merger Sub or any designees of Parent, BV Sub or Merger Sub) any non-public information relating to the Company or any of its Subsidiaries, or afford access to the business, properties, assets, books or records of the Company or any of its Subsidiaries to any Person (other than Parent, BV Sub, Merger Sub or any designees of Parent, BV Sub or Merger Sub), or take any other action intended to assist or facilitate any inquiries or the making of any proposal that constitutes or could reasonably be expected to lead to an Acquisition Proposal, (iii) participate or engage in discussions or negotiations with any Person with respect to an Acquisition Proposal (other than to notify such Person as to the existence of this provision), (iv) approve, endorse or recommend an Acquisition Proposal, (v) enter into any letter of intent, memorandum of understanding or other agreement, contract or arrangement contemplating or otherwise relating to an Acquisition Transaction, or (vi) terminate, amend or waive any rights under any standstill or other similar agreement between the Stockholder and any Person (other than Parent). The Stockholder shall immediately cease any and all existing activities, discussions or negotiations with any persons (other than Parent and its affiliates and representatives) conducted heretofore with respect to any Acquisition Proposal. Without limiting the generality of the foregoing, the Stockholder acknowledges and hereby agrees that any violation of the restrictions set forth in this Section 7 by the Stockholder or any representatives of the Stockholder shall be deemed to be a breach of this Section 7 by the Stockholder. The Stockholder shall not enter into any letter of intent or similar document or any agreement contemplating or otherwise relating to an Acquisition Proposal unless and until this Agreement is terminated pursuant to its terms.

8. **No Transfers During Voting Period.** The Stockholder agrees that during the Voting Period, except as expressly contemplated by the terms of this Agreement, such Stockholder shall not, directly or indirectly, (i) sell, transfer, tender, pledge, encumber, assign or otherwise dispose of (including by merger, testamentary disposition, interspousal disposition pursuant to spousal domestic relations proceedings or otherwise, or otherwise by operation of law) (collectively, *Transfer*) any of the Shares, or enter into any contract, option or other agreement to Transfer any of the Shares, or otherwise cause or permit the Transfer of any Shares, (ii) grant any proxies or powers of attorney or enter into any voting trust or other similar agreements or arrangements with respect to any Shares; (iii) request that the Company register the Transfer of any certificate or uncertificated interest representing any of the Shares, or (iv) take any action that would have the effect of preventing, impeding, interfering with or adversely affecting its ability to perform its obligations under this Agreement. The Stockholder hereby agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate stop transfer instructions to its transfer agent in respect of the Shares. Notwithstanding the foregoing or anything to the contrary set forth in this Agreement, the Stockholder may surrender shares in connection with cashless or net exercise provisions of Company Options or Warrants to the extent necessary to effect exercises thereof (including the payment of any taxes required to be withheld and paid with respect to such exercises).

9. **Agreement Regarding Stock Election; Lock-Up.**

(a) The Stockholder agrees that, in connection with the consummation of the Merger, it shall elect to receive the Merger Consideration in respect of such Shares beneficially owned by such Stockholder entirely in shares of Parent Common Stock (the *Acquired Parent Shares*) through the making of a Stock Election under the Merger Agreement. The Stockholder agrees that it shall submit one or more Form(s) of Election designating a Stock Election with respect to all of the Shares and, in the event that the Stockholder should fail to submit a Form or Form(s) of Election with such designation with respect to any or all of the Shares, the Stockholder authorizes Parent and the Exchange Agent to submit a Form or Form(s) of Election with such designation in the name and on behalf of the Stockholder.

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(b) The Stockholder agrees that from the Effective Time and continuing for a period of six (6) months following the Effective Time (the *Lock-Up Expiration Date*), such Stockholder shall not, directly or indirectly, (i) Transfer any of the Acquired Parent Shares, or enter into any contract, option or other agreement to Transfer any of the Acquired Parent Shares, or otherwise cause or permit the Transfer of any Acquired Parent Shares or (ii) request that the Company register the Transfer of any certificate or uncertificated interest representing any of the Acquired Parent Shares. The Stockholder hereby agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate stop transfer instructions to its transfer agent in respect of the Acquired Parent Shares. The restrictions on transfer provided in this Section 9(b) shall be in addition to any restrictions on transfer of the Acquire Parent Shares imposed by Applicable Law.

(c) Notwithstanding anything to the contrary contained herein, the Stockholder may Transfer Acquired Parent Shares (i) if such transfer occurs by operation of law or statutes governing the effects of a merger, (ii) as a distribution to limited partners of the Stockholder (provided, however, that such limited partners agree in writing to be bound by the applicable terms of this Section 9), (iii) at any time after Parent consummates a transaction, or enters into an agreement, that would cause or result in a Change In Control of Parent; or (iv) at any time after any agreement that imposes a Transfer restriction on Parent Acquired Shares by any other stockholder of the Company has terminated or been amended, or any rights of Parent or obligations of such stockholder under such agreement have been waived. In addition, the Stockholder may Transfer up to that number of shares (A) not in excess of five percent (5%) of the Acquired Parent Shares beneficially owned by the Stockholder at the Effective Time if the price per share of Parent common stock as reported on the New York Stock Exchange (*NYSE*) on the date of initiation of such Transfer is not less than \$40, (B) not in excess of 15 percent (15%) (including any shares Transferred pursuant to the immediately preceding clause (A)) of the Acquired Parent Shares beneficially owned by the Stockholder at the Effective Time if the price per share of Parent common stock as reported on the NYSE on the date of the initiation of such Transfer is not less than \$45, and (C) not in excess of 25 percent (25%) (including any shares Transferred pursuant to the immediately preceding clauses (A) and (B)) of the Acquired Parent Shares beneficially owned by the Stockholder at the Effective Time if the price per share of Parent common stock as reported on the NYSE on the date of the initiation of such Transfer is not less than \$50. For purposes of this paragraph, *Change In Control* means (a) the direct or indirect acquisition (except for transactions described in clause (b) of this paragraph below), whether in one or a series of transactions by any person, or related persons of (i) ownership, beneficial or otherwise, of issued and outstanding shares of capital stock of a party, the result of which acquisition is that such person or such group possesses 50% or more of the combined voting power of all then-issued and outstanding capital stock of such party, or (ii) the power to elect, appoint, or cause the election or appointment of at least a majority of the members of the board of directors (or such other governing body in the event a party or any successor entity is not a corporation); (b) a merger, consolidation or other reorganization or recapitalization of a party with a person or a direct or indirect subsidiary of such person, *provided* that the result of such merger, consolidation or other reorganization or recapitalization, whether in one or a series of related transactions, is that the holders of the outstanding voting stock of such party immediately prior to such consummation do not possess, whether directly or indirectly, immediately after the consummation of such transaction, in excess of 50% of the combined voting power of all then-issued and outstanding stock of the merged, consolidated, reorganized or recapitalized person, its direct or indirect parent, or the surviving person of such transaction; (c) the stockholders of a party approve a plan of complete liquidation of such party; or (d) a sale or disposition, whether in one or a series of transactions, of all or substantially all of a party's assets.

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10. *Acquisition of Additional Shares.*

(a) At all times during the period commencing with the execution and delivery of this Agreement and continuing until the Expiration Date, the Stockholder shall promptly notify Parent of the number of any additional shares of Company Common Stock and the number and type of any other voting securities of the Company acquired by the Stockholder, if any, after the date hereof. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall obligate the Stockholder to exercise any option, warrant or other right to acquire Shares.

(b) In the event of a stock dividend or distribution, or any change in the Shares by reason of any stock dividend or distribution, split-up, recapitalization, combination, exchange of shares or the like, the term Shares shall be deemed to refer to and include the Shares as well as all such stock dividends and distributions and any securities into which or for which any or all of the Shares may be changed or exchanged or which are received in such transaction.

11. *No Ownership Interest.* Nothing contained in this Agreement shall be deemed to vest in Parent any direct or indirect ownership or incidence of ownership of or with respect to any Shares. Except as provided in this Agreement, all rights, ownership and economic benefits relating to the Shares shall remain vested in and belong to the Stockholder.

12. *Disclosure.* The Stockholder hereby agrees to permit Parent to publish and disclose in the Registration Statement and the Proxy Statement/Prospectus (including all documents and schedules filed with the SEC), and in any press release or other disclosure document which Parent reasonably determines to be necessary or desirable to comply with applicable law or the rules and regulations of The New York Stock Exchange in connection with the Merger and any transactions related thereto, the Stockholder's identity and ownership of the Shares and the nature of the Stockholder's commitments, arrangements and understandings under this Agreement, provided that any public announcement or disclosure is made in accordance with the terms of the Merger Agreement and the requirements of Applicable Law, subject to Parent using its reasonable best efforts to consult with the Stockholder and giving the Stockholder the right to review and comment upon any such disclosure. In addition, the Stockholder will cooperate with Parent in connection with the filing of any Schedule 13D or amendment thereto that Parent reasonably determines is required under the Exchange Act in connection with this Agreement.

13. *Consent and Waiver.* The Stockholder hereby gives any consents or waivers that are reasonably required for the consummation of the Merger under the terms of any agreement or instrument to which the Stockholder is a party. Without limiting the generality of or effect of the foregoing, the Stockholder hereby waives any and all rights to contest or object to the execution and delivery of the Merger Agreement, the actions of the Board of Directors of the Company in approving and recommending the Merger, the consummation of the Merger and the other transactions contemplated by the Merger Agreement, or to seek damages or other legal or equitable relief in connection therewith. From and after the Effective Time, the Stockholder's right to receive its portion of the Merger Consideration on the terms and subject to the conditions set forth in the Merger Agreement shall constitute the Stockholder's sole and exclusive right against the Company and/or Parent or Merger Sub in respect of the Stockholder's status as a stockholder of the Company.

14. *Confidentiality.* The Stockholder shall hold any information regarding this Agreement and the Merger in strict confidence and shall not divulge any such information to any third person (except to affiliates and to its limited partners, investment bankers, attorneys, financial and other advisors) until the Parent has publicly disclosed the Merger, except for disclosures which the Stockholder's legal counsel advises are necessary in order to fulfill such Stockholder's obligations imposed by law, in which event the Stockholder shall give prior notice of such disclosure to Parent as promptly as practicable. Subject to the exception in the immediately preceding sentence, neither the Stockholder, nor any of its affiliates shall issue or cause the publication of any press release or other

public announcement with respect to this Agreement, the Merger, the Merger Agreement or other transactions contemplated thereby.

15. **Termination.** This Agreement shall automatically terminate (without requirement of further action or notice) on the Expiration Date; provided, however, that the provisions of Section 9(b) shall continue in effect after the Expiration Date until the Lock-Up Expiration Date and the provisions of Section 13 and Section 16 shall continue in effect with respect to Section 9(b) until the Lock-Up Termination Date.

16. **Miscellaneous.**

(a) This Agreement may be amended, modified or supplemented only by written agreement of the parties.

(b) Any failure of the Stockholder, on the one hand, or Parent and Merger Sub, on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived by Parent (with respect to any failure by the Stockholder) or the Stockholder (with respect to any failure by Parent or Merger Sub), respectively, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 16(b).

(c) All notices and other communications hereunder shall be in writing and shall be delivered personally by overnight courier or similar means or sent by facsimile with written confirmation of receipt, to the parties at the addresses specified below (or at such other address for a party as shall be specified by like notice. Any such notice shall be effective upon receipt, if personally delivered or on the next business day following transmittal if sent by confirmed facsimile. Notices, including oral notices, shall be delivered as follows:

if to the Stockholder, at the address set forth on the signature page, with a copy to the address provided thereto.

if to Parent, BV Sub or Merger Sub, to:

NAVTEQ Corporation
222 Merchandise Mart, Suite 900
Chicago, Illinois 60654
Attention: Lawrence M. Kaplan
Facsimile: 312-894-7212

with a copy to:

Pepper Hamilton LLP
600 Fourteenth Street, N.W.
Washington, D.C. 20005
Attention: Thomas L. Hanley
Facsimile: 202-220-1665

(d) Neither this Agreement nor any right, interest or obligation hereunder shall be assigned by either of the parties hereto without the prior written consent of the other party. This Agreement shall be binding upon and inure to the benefit of Parent and Merger Sub and its and their successors and permitted assigns and shall be binding upon the Stockholder and the Stockholder's heirs, successors

and assigns by will or by the laws of descent. This Agreement is not intended to confer any rights or remedies hereunder upon any other person except the parties hereto.

(e) This agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any conflicts of law provisions.

(f) EACH PARTY HEREBY IRREVOCABLY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING IN WHOLE OR IN PART UNDER, RELATED TO, BASED ON, OR IN CONNECTION WITH, THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN TORT OR CONTRACT OR OTHERWISE.

(g) Each of the parties hereto (i) irrevocably consents to the jurisdiction and venue of the Delaware Court of Chancery or any court of the United States located in the State of Delaware in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the Delaware Court of Chancery or, if under Applicable Law exclusive jurisdiction over such matter is vested in the federal courts, any court of the United States located in the State of Delaware and (iv) consents to service being made through the notice procedures set forth in Section 16(c). Each party hereby agrees that service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth herein for the delivery of notices generally shall be effective service of process for any legal proceeding in connection with this Agreement or the transactions contemplated hereby.

(h) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(i) In case any one or more of the provisions contained in this Agreement should be finally determined to be invalid, illegal or unenforceable in any respect against a party hereto, it shall be adjusted if possible to effect the intent of the parties. In any event, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability shall only apply as to such party in the specific jurisdiction where such final determination shall have been made.

(j) The section headings contained in this Agreement are solely for the purpose of reference and shall not in any way affect the meaning or interpretation of this Agreement. The word including shall be deemed to mean including without limitation.

(k) This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no representations, promises, warranties, covenants, or undertakings, other than those expressly set forth or referred to herein and therein.

(l) The parties hereby acknowledge and agree that the failure of any party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part in accordance with the terms and conditions of this Agreement to facilitate the Merger, will cause irreparable injury to the other parties, for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder.

(m) Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party shall be deemed cumulative with and not exclusive of any other remedy conferred hereby, or

by law or equity upon such party, and the exercise by a party of any one remedy shall not preclude the exercise of any other remedy.

(n) All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses; provided, however, that Parent shall reimburse the reasonable legal fees and expenses incurred by Stockholder up to a maximum of \$20,000.

(o) Each party to this Agreement has been represented by counsel during the preparation and execution of this Agreement, and therefore waives any rule of construction that would construe ambiguities against the party drafting the agreement.

(p) From time to time, at the other party's request and without further consideration, each party hereto shall execute and deliver such additional documents and take all such further action as may be reasonably necessary to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement.

[signature page follows]

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IN WITNESS WHEREOF, the parties hereto have signed this Stockholder Voting Agreement, in the case of each of Parent, BV Sub and Merger Sub, by its duly authorized officer, as of the date first above written.

NAVTEQ CORPORATION

By:
Name:
Title:
NAVTEQ HOLDINGS DELAWARE, INC.

By:
Name:
Title:

STOCKHOLDER

Name (print)

Signature

Stockholder Address:

NAVTEQ HOLDINGS B.V.

By:
Name:
Title:

with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:

NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:

NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:

IRREVOCABLE PROXY

The undersigned Stockholder (the *Stockholder*) of Traffic.com, Inc., a Delaware corporation (the *Company*), hereby irrevocably (to the fullest extent permitted by law) appoints each of Judson D. Green, David Mullen and Lawrence M. Kaplan of NAVTEQ Corporation, as the sole and exclusive attorneys and proxies of the undersigned, with full power of substitution and resubstitution, to vote and exercise all voting and related rights (to the full extent that the undersigned is entitled to do so) with respect to all of the shares of capital stock of the Company that now are or hereafter may be beneficially owned by the undersigned, and any and all other shares or securities of the Company issued or issuable in respect thereof on or after the date hereof (collectively, the *Shares*), in accordance with the terms of this Proxy. The Shares beneficially owned by the Stockholder as of the date of this Proxy are listed on the signature page of this Proxy, along with the number(s) of the stock certificate(s) representing such Shares. Upon the Stockholder's execution of this Proxy, any and all prior proxies given by the undersigned with respect to any Shares are hereby revoked and terminated, and the Stockholder agrees not to grant any subsequent proxies with respect to the Shares until after the Expiration Date (as defined below).

This Proxy is irrevocable (to the fullest extent permitted by law), is coupled with an interest and is granted pursuant to that certain Stockholder Voting Agreement of even date herewith (the *Voting Agreement*) by and among NAVTEQ Corporation, a Delaware corporation (the *Parent*), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands (*BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (*Merger Sub*), the Company and the undersigned Stockholder of the Company, and is granted in consideration of Parent, BV Sub and Merger Sub entering into that certain Agreement and Plan of Merger of even date herewith (as it may hereafter be amended from time to time in accordance with the provisions thereof, the *Merger Agreement*) by and among Parent, BV Sub, Merger Sub and the Company. The Merger Agreement provides for the merger of the Company with and into Merger Sub (the *Merger*), and Stockholder will be entitled to receive a portion of the consideration payable in connection with the Merger. The term *Expiration Date*, as used in this Proxy, shall mean the earlier to occur of (i) such date and time as the Merger Agreement shall have been validly terminated pursuant to its terms, (ii) such date and time as the Merger shall become effective in accordance with the terms and conditions set forth in the Merger Agreement or (iii) the occurrence of a Material Adverse Amendment. The term *Material Adverse Amendment* means an amendment to the Merger Agreement that (i) materially and adversely affects the Stockholder and (ii) is approved by the Company's Board of Directors notwithstanding the fact that in such vote the Stockholder's nominee on the Company's Board of Directors voted against such amendment.

The attorneys and proxies named above, and each of them, are hereby authorized and empowered by the Stockholder, at any time prior during the Voting Period (as defined in the Voting Agreement), to act as the Stockholder's attorney and proxy to vote all of the Shares, and to exercise all voting, consent and similar rights of the undersigned with respect to all of the Shares (including, without limitation, the power to execute and deliver written consents) at every annual or special meeting of stockholders of the Company (and at every adjournment or postponement thereof), and in every written consent in lieu of such meeting:

- (a) in favor of the approval and adoption of the Merger Agreement and approval of the Merger, not including any Material Adverse Amendment;
- (b) against the approval of any action, proposal, transaction or agreement that would result, or could reasonably be expected to result, in any material respect in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company contained in the Merger Agreement; and

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(c) against any proposal made in opposition to, or in competition with, consummation of the Merger and the other transactions contemplated by the Merger Agreement, including any Acquisition Proposal (as defined in the Merger Agreement).

The attorneys and proxies named above may not exercise this Proxy on any other matter except as provided in clauses (a), (b) and (c) above. The Stockholder may vote the Shares on all other matters. Notwithstanding anything in this Proxy to the contrary, if the Stockholder is a director or officer of the Company, nothing contained in this Proxy shall not limit or restrict any actions taken by the Stockholder in his or her capacity as a director or officer of the Company either (i) pursuant to Applicable Law or (ii) in exercising the Company's rights or fulfilling the Company's obligations under the Merger Agreement (to the extent permitted or required by the Merger Agreement).

Any obligation of Stockholder hereunder shall be binding upon the successors and assigns of Stockholder.

This Proxy shall terminate, and be of no further force and effect, automatically upon the Expiration Date.

[signature page follows]

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IN WITNESS WHEREOF, the Stockholder has caused this Irrevocable Proxy to be duly executed as of the day and year first above written.

STOCKHOLDER:

Signature:

Name:

Address

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK

BENEFICIALLY OWNED BY STOCKHOLDER:

NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:

NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:

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Exhibit B

Form of Affiliate Agreement

NAVTEQ Corporation
222 Merchandise Mart
Suite 900
Chicago, Illinois 60654

Ladies and Gentlemen:

The undersigned has been advised that as of the date hereof the undersigned may be deemed to be an affiliate of Traffic.com, Inc., a Delaware corporation (the *Company*), as the term affiliate is defined for purposes of Rule 145 of the Rules and Regulations (the *Rules and Regulations*) of the Securities and Exchange Commission (the *Commission*) under the Securities Act of 1933, as amended (the *Act*). Pursuant to the terms of the Agreement and Plan of Merger, dated as of November 6, 2006 (the *Agreement*), by and among NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands (*BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (*Merger Sub*) and the Company, the Company will be merged with and into Merger Sub (the *Merger*).

As a result of the Merger, the undersigned will be entitled to receive cash and shares of Common Stock, par value \$0.001 per share, of Parent (the *Parent Common Stock*) in exchange for shares of common stock of the Company owned by the undersigned. In connection therewith, the undersigned hereby represents and warrants to, and covenants with, Parent as set forth below and acknowledges and agrees that the execution and delivery of this Affiliate Agreement by the undersigned is a material inducement to Parent, BV Sub and Merger Sub to enter into the Merger Agreement.

- (a) The undersigned shall not make any sale, transfer or other disposition of the Parent Common Stock in violation of the Act or the Rules and Regulations.
- (b) The undersigned has carefully read this Affiliate Agreement and discussed its requirements and other applicable limitations upon the undersigned's ability to offer, sell, transfer or otherwise dispose of the Parent Common Stock, to the extent the undersigned believes necessary, with the undersigned's counsel.
- (c) The undersigned has been advised that the issuance of shares of Parent Common Stock to the undersigned in connection with the Merger is expected to be registered by Parent under the Act through the filing by Parent of a Registration Statement with the Commission on Form S-4. However, the undersigned has also been advised that because at the time the Merger was submitted to a vote of the stockholders of the Company, the undersigned may be deemed an affiliate of the Company, and the distribution by the undersigned of the Parent Common Stock has not been registered under the Act, the undersigned may not offer, sell, transfer or otherwise dispose of Parent Common Stock issued to the undersigned in connection with the Merger unless (i) such offer, sale, transfer or other disposition has been registered under the Act, (ii) such offer, sale, transfer or other disposition is made in conformity with the volume and other applicable limitations imposed by Rule 145 under the Act, or (iii) in the opinion of counsel, in form and substance reasonably acceptable to Parent or under a no-action letter or interpretative letter obtained by the undersigned from the staff of the Commission, such offer, sale, transfer or other disposition is otherwise exempt from registration under the Act.
- (d) The undersigned understands that Parent will be under no obligation to register the offer, sale, transfer or other disposition of the Parent Common Stock by the undersigned or on the undersigned's behalf under the Act.

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(e) The undersigned understands that stop transfer instructions will be given to Parent's transfer agent with respect to the Parent Common Stock owned by the undersigned and that there may be placed on the certificates for the Parent Common Stock issued to the undersigned, or any substitutions therefor, a legend substantially in the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED IN A TRANSACTION TO WHICH RULE 145 UNDER THE SECURITIES ACT OF 1933 APPLIES. THE SHARES REPRESENTED BY THIS CERTIFICATE MAY ONLY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 COVERING THE RESALE OF SUCH SHARES OR IN ACCORDANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933.

(f) The undersigned also understands that unless undersigned certifies to Parent that the transfer by the undersigned of the undersigned's Parent Common Stock has been registered under the Act or is a transfer made in conformity with the provisions of this Affiliate Agreement, Parent reserves the right, in its sole discretion, to place the a substantially similar legend as that set forth in (e) above on the certificates issued to any transferee of shares from the undersigned.

(g) By Parent's execution of this Affiliate Agreement, Parent hereby agrees with the undersigned as follows:

(1) For so long as Parent is obligated to file reports pursuant to Section 13 or 15(d) of the Exchange Act of 1934, as amended (the *Exchange Act*), Parent shall (a) use its commercially reasonable efforts to (i) file, on a timely basis, all reports and data required to be filed with the Commission by it pursuant to Section 13 of the Exchange Act and (ii) furnish to the undersigned upon request a written statement as to whether Parent has complied with such reporting requirements during the 12 months preceding any proposed sale of the Parent Common Stock by the undersigned under Rule 145, and (b) otherwise use its commercially reasonable efforts to permit such sales pursuant to Rule 145 and Rule 144. Parent hereby represents to the undersigned that it has filed all reports required to be filed with the Commission under Section 13 of the Exchange Act during the 12 months preceding the date of this Affiliate Agreement.

(2) It is understood and agreed that an offer, sale or other transfer of the shares of Parent Common Stock shall be permitted and the legends in paragraph (e) or (f) above shall be removed in connection therewith by delivery of substitute certificates without such legend if the undersigned shall have delivered to Parent (i) a copy of a no action or interpretive letter from the staff of the Commission, or an opinion of counsel, in form and substance reasonably satisfactory to Parent, to the effect that such offer sale or other transfer is permissible under the Act and/or such legend is not required for purposes of the Act, (ii) an opinion of counsel, in form and substance reasonably satisfactory to Parent, to the effect that the offer, sale or other transfer of such shares by the holder thereof is no longer subject to Rule 145, or (iii) satisfactory evidence that the shares of Parent Common Stock represented by such certificates are being or have been transferred in a transaction made in conformity with the provisions of Rule 145.

(3) It is understood and agreed that an offer, sale or other transfer of the shares of Parent Common Stock shall be permitted and the legends in paragraph (e) or (f) above shall be removed in connection therewith by delivery of substitute certificates without such legend if (i) one year shall have elapsed from the date the undersigned acquired the Parent Common Stock received in the Merger and the provisions of Rule 145(d)(2) are then available to the undersigned or (ii) two years shall have elapsed from the date the undersigned acquired the Parent Common Stock received in the Merger and the provisions of Rule 145(d)(3) are then applicable to the undersigned.

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Execution of this Affiliate Agreement should not be considered an admission on the undersigned's part that the undersigned is an affiliate of the Company as described in the first paragraph of this Affiliate Agreement or as a waiver of any rights the undersigned may have to object to any claim that the undersigned is such an affiliate on or after the date of this Affiliate Agreement.

Very truly yours,

[Print Name]

Acknowledged this day of , 2006.

NAVTEQ CORPORATION

By:

Name:

Title:

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SCHEDULE I

Parties to Voting Agreement

- TL Ventures III, L.P.
- TL Ventures III Offshore, L.P.
- TL Ventures III Interfund, L.P.
- TL Ventures IV, L.P.
- TL Ventures IV Interfund, L.P.
- Robert N. Verratti
- David L. Jannetta
- The Jannetta Family Trust
- Mark J. DeNino
- Christopher M. Rothey

SCHEDULE II

List of Company Warrants

- Safeguard Delaware, Inc. (Warrant for 17,565 shares of Common Stock of the Company dated April 22, 2005)
- National Electrical Benefit Fund (Warrant for 116,666 shares of Common Stock of the Company dated April 22, 2005)
- PA Early Stage Partners, L.P. (Warrant for 66,666 shares of Common Stock of the Company dated August 24, 2005)
- Square 1 Bank (Warrant for 26,087 shares of Common Stock of the Company dated August 27, 2006)
- Comerica Bank (Warrant for 100,000 shares of Series E Preferred Stock of the Company convertible into 33,333 shares of Common Stock of the Company dated December 7, 2003 and Warrant for 25,000 shares of Series E Preferred Stock of the Company convertible into 8,333 shares of Common Stock of the Company dated July 8, 2003)
- Potomac Technology Development, LLC (Warrant for 41,666 shares of Common Stock of the Company dated April 17, 2002)
- PNC Bank, National Association (Warrant for 10,000 shares of Common Stock of the Company dated January 26, 2001)
- Hearst Communications, Inc. (Warrant for 13,333 shares of Common Stock of the Company dated March 16, 2001)

SCHEDULE III

Holder Making Stock Elections

- TL Ventures III, L.P.
- TL Ventures III Offshore, L.P.
- TL Ventures III Interfund, L.P.
- TL Ventures IV, L.P.
- TL Ventures IV Interfund, L.P.

SCHEDULE IV

Holders of Exchanged Warrants

- TL Ventures IV, L.P.
- TL Ventures IV Interfund, L.P.
- TL Ventures III, L.P.
- TL Ventures III Interfund, L.P.
- TL Ventures III Offshore, L.P.

Annex B-1

STOCKHOLDER VOTING AGREEMENT

This STOCKHOLDER VOTING AGREEMENT (this *Agreement*) is made and entered into as of November 6, 2006 by and among NAVTEQ Corporation, a Delaware corporation (the *Parent*), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands (*BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (*Merger Sub*), Traffic.com, Inc., a Delaware corporation (the *Company*), and the person whose name appears on the signature page hereto as a Stockholder (the *Stockholder*) of the Company. Capitalized terms used and not otherwise defined herein, and defined in the Merger Agreement (as defined below), shall have the respective meanings ascribed to them in the Merger Agreement.

RECITALS

WHEREAS, concurrently with the execution of this Agreement, the Company, Parent, BV Sub and Merger Sub are entering into an Agreement and Plan of Merger of even date herewith (the *Merger Agreement*), pursuant to which the parties thereto have agreed, upon the terms and subject to the conditions set forth therein, to the Merger;

WHEREAS, the Stockholder is the beneficial owner of such number of shares of common stock of the Company, par value \$0.01 per share (the *Company Common Stock*), set forth on the signature page hereto, and options, warrants or other rights to acquire such number of shares of Company Common Stock as set forth on the signature page hereto; and

WHEREAS, as a material inducement and a condition to Parent, BV Sub and Merger Sub entering into the Merger Agreement, Parent has requested that the Stockholder agree, and the Stockholder has agreed (in the Stockholder's capacity as such), for the benefit of Parent, BV Sub and Merger Sub, to enter into this Agreement to facilitate the consummation of the Merger;

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, and intending to be legally bound hereby, Parent, BV Sub, Merger Sub and the Stockholder hereby agree as follows:

1. ***Certain Definitions.*** For purposes of this Agreement:

Expiration Date shall mean the earlier to occur of (a) such date and time as the Merger Agreement shall have been validly terminated pursuant to its terms, (b) the Effective Time, or (c) the occurrence of a Material Adverse Amendment.

Material Adverse Amendment means an amendment to the Merger Agreement that (i) materially and adversely affects the Stockholder and (ii) is approved by the Company's Board of Directors notwithstanding the fact that in such vote the Stockholder's nominee on the Company's Board of Directors voted against such amendment.

Shares means (a) all equity securities of the Company (including all shares of Company Common Stock, and all options, warrants and other rights to acquire shares of Company Common Stock) beneficially owned by the Stockholder as of the date of this Agreement and (b) all additional equity securities of the Company (including all additional options, warrants and other rights to acquire shares of Company Common Stock) of which Stockholder acquires beneficial ownership during the period commencing with the execution and delivery of this Agreement until the Expiration Date.

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Voting Period means the period commencing on the date of this Agreement and continuing until the Expiration Date.

2. **Representations and Warranties of Stockholder.** The Stockholder represents and warrants to Parent, BV Sub and Merger Sub as follows:

(a) The Stockholder is the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act, provided, however, that for the purposes of this Agreement, such term shall include any Shares that may be acquired more than sixty (60) days from the date hereof) of all of the Shares. The Stockholder has sole voting power and the sole power of disposition with respect to all of the Shares, with no limitations, qualifications or restrictions on such rights (subject to applicable federal securities laws and the terms of this Agreement). Such Shares constitute all of the Shares beneficially owned by the Stockholder. The Shares are held by the Stockholder, or by a nominee or custodian for the benefit of the Stockholder, free and clear of all mortgages, claims, charges, liens, security interests, pledges, options, proxies, voting trusts or agreements (*Encumbrances*), except for any such Encumbrances arising hereunder and Encumbrances applicable to all securityholders alike, such as the restrictions upon resale imposed by the Securities Act.

(b) The Stockholder has the legal capacity, power and authority, as applicable, to enter into and perform all of the Stockholder's obligations under this Agreement. This Agreement has been duly and validly executed and delivered by the Stockholder and constitutes (assuming due execution and delivery of this Agreement by Parent, BV Sub and Merger Sub) a valid and binding agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles. The execution, delivery and performance of this Agreement by the Stockholder will not violate any agreement or court order to which the Stockholder is a party or is subject, including, without limitation, any voting agreement or voting trust, except for any of the foregoing as would not impair the Stockholder's ability to perform its obligations under this Agreement in any material respect.

(c) Except for any applicable filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority or any other Person is required to be made or obtained by the Stockholder for the execution of this Agreement by the Stockholder, compliance by the Stockholder with the provisions hereof or performance of the Stockholder's obligations hereunder.

(d) If the Stockholder is married and the Shares constitute community property, this Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding agreement of, the Stockholder's spouse, enforceable against such person in accordance with its terms.

(e) The Stockholder understands and acknowledges that Parent is entering into, and causing BV Sub and Merger Sub to enter into, the Merger Agreement in reliance upon the Stockholder's concurrent execution and delivery of this Agreement, including Parent's reliance on the Stockholder's representations and warranties contained herein.

3. **Representations and Warranties of the Company.** The Company hereby represents and warrants to Parent, BV Sub and Merger Sub as follows:

(a) The Company has the corporate power and authority to enter into and perform all of its obligations under this Agreement. This Agreement has been duly and validly executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles.

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(b) Except for filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority is necessary for the execution of this Agreement by the Company, compliance by the Company with the provisions hereof or performance of its obligations hereunder.

4. **Representations and Warranties of Parent, BV Sub and Merger Sub.** Parent and Merger Sub hereby represent and warrant to the Stockholder as follows:

(a) Parent, BV Sub and Merger Sub have the corporate power and authority to enter into and perform all of their respective obligations under this Agreement. This Agreement has been duly and validly executed and delivered by Parent, BV Sub and Merger Sub and constitutes a valid and binding agreement of each of them, enforceable against them in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles.

(b) Except for filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority is necessary for the execution of this Agreement by Parent, BV Sub or Merger Sub, compliance by Parent, BV Sub and Merger Sub with the provisions hereof or performance of their obligations hereunder.

5. **Voting Agreement.**

(a) The Stockholder hereby irrevocably and unconditionally agrees that, during the Voting Period, the Stockholder shall (i) appear (in person or by proxy) at any meeting (whether annual or special and whether or not an adjourned or postponed meeting) of the holders of Company Common Stock, properly called, or otherwise cause the Shares then beneficially owned by the Stockholder to be counted as present thereat for purposes of establishing a quorum, and (ii) vote or provide a written consent with respect to all Shares (or will cause all Shares to be voted, or cause a written consent to be provided with respect to all Shares) (A) in favor of adoption and approval of the Merger Agreement and approval of the Merger, not including any Material Adverse Amendment, (B) against any action, proposal, transaction or agreement that would result, or could reasonably be expected to result, in any material respect in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company contained in the Merger Agreement, and (C) against any proposal made in opposition to, or in competition with, consummation of the Merger and the other transactions contemplated by the Merger Agreement, including any Acquisition Proposal. In all other matters, the Shares shall be voted by and in the manner determined by the Stockholder.

(b) Notwithstanding any other provision of this Agreement, if the Stockholder is a director or officer of the Company, it is expressly understood and agreed that this Agreement shall not limit or restrict any actions taken by the Stockholder in his or her capacity as a director or officer of the Company either (i) pursuant to Applicable Law or (ii) in exercising the Company's rights or fulfilling the Company's obligations under the Merger Agreement (to the extent permitted or required by the Merger Agreement).

6. **Grant of Irrevocable Proxy.** Concurrently with the execution and delivery of this Agreement, the Stockholder has delivered to Parent a proxy in the form attached hereto as *Exhibit A* (the "Proxy") with respect to the Shares. Such Proxy shall be irrevocable to the fullest extent permitted by Applicable Law and shall terminate upon the termination of this Agreement.

7. **No Solicitation.** The Stockholder shall, and shall cause its affiliates that it controls and its and its control affiliates' respective directors, officers, employees, investment bankers, attorneys, financial and other advisors or other representatives not to, directly or indirectly, (i) solicit, initiate, knowingly encourage, or induce the making, submission or announcement of, an Acquisition Proposal, (ii) furnish to any Person (other than Parent, BV Sub, Merger Sub or any designees of

Parent, BV Sub or Merger Sub) any non-public information relating to the Company or any of its Subsidiaries, or afford access to the business, properties, assets, books or records of the Company or any of its Subsidiaries to any Person (other than Parent, BV Sub, Merger Sub or any designees of Parent, BV Sub or Merger Sub), or take any other action intended to assist or facilitate any inquiries or the making of any proposal that constitutes or could reasonably be expected to lead to an Acquisition Proposal, (iii) participate or engage in discussions or negotiations with any Person with respect to an Acquisition Proposal (other than to notify such Person as to the existence of this provision), (iv) approve, endorse or recommend an Acquisition Proposal, (v) enter into any letter of intent, memorandum of understanding or other agreement, contract or arrangement contemplating or otherwise relating to an Acquisition Transaction, or (vi) terminate, amend or waive any rights under any standstill or other similar agreement between the Stockholder and any Person (other than Parent). The Stockholder shall immediately cease any and all existing activities, discussions or negotiations with any persons (other than Parent and its affiliates and representatives) conducted heretofore with respect to any Acquisition Proposal. Without limiting the generality of the foregoing, the Stockholder acknowledges and hereby agrees that any violation of the restrictions set forth in this Section 7 by the Stockholder or any representatives of the Stockholder shall be deemed to be a breach of this Section 7 by the Stockholder. The Stockholder shall not enter into any letter of intent or similar document or any agreement contemplating or otherwise relating to an Acquisition Proposal unless and until this Agreement is terminated pursuant to its terms.

8. **No Transfers During Voting Period.** The Stockholder agrees that during the Voting Period, except as expressly contemplated by the terms of this Agreement, such Stockholder shall not, directly or indirectly, (i) sell, transfer, tender, pledge, encumber, assign or otherwise dispose of (including by merger, testamentary disposition, interspousal disposition pursuant to spousal domestic relations proceedings or otherwise, or otherwise by operation of law) (collectively, *Transfer*) any of the Shares, or enter into any contract, option or other agreement to Transfer any of the Shares, or otherwise cause or permit the Transfer of any Shares, (ii) grant any proxies or powers of attorney or enter into any voting trust or other similar agreements or arrangements with respect to any Shares; (iii) request that the Company register the Transfer of any certificate or uncertificated interest representing any of the Shares, or (iv) take any action that would have the effect of preventing, impeding, interfering with or adversely affecting its ability to perform its obligations under this Agreement. The Stockholder hereby agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate stop transfer instructions to its transfer agent in respect of the Shares. Notwithstanding the foregoing or anything to the contrary set forth in this Agreement, the Stockholder may surrender shares in connection with cashless or net exercise provisions of Company Options or Warrants to the extent necessary to effect exercises thereof (including the payment of any taxes required to be withheld and paid with respect to such exercises).

9. **Acquisition of Additional Shares.**

(a) At all times during the period commencing with the execution and delivery of this Agreement and continuing until the Expiration Date, the Stockholder shall promptly notify Parent of the number of any additional shares of Company Common Stock and the number and type of any other voting securities of the Company acquired by the Stockholder, if any, after the date hereof. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall obligate the Stockholder to exercise any option, warrant or other right to acquire Shares.

(b) In the event of a stock dividend or distribution, or any change in the Shares by reason of any stock dividend or distribution, split-up, recapitalization, combination, exchange of shares or the like, the term Shares shall be deemed to refer to and include the Shares as well as all such stock dividends and distributions and any securities into which or for which any or all of the Shares may be changed or exchanged or which are received in such transaction.

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10. **No Ownership Interest.** Nothing contained in this Agreement shall be deemed to vest in Parent any direct or indirect ownership or incidence of ownership of or with respect to any Shares. Except as provided in this Agreement, all rights, ownership and economic benefits relating to the Shares shall remain vested in and belong to the Stockholder.

11. **Disclosure.** The Stockholder hereby agrees to permit Parent to publish and disclose in the Registration Statement and the Proxy Statement/Prospectus (including all documents and schedules filed with the SEC), and in any press release or other disclosure document which Parent reasonably determines to be necessary or desirable to comply with applicable law or the rules and regulations of The New York Stock Exchange in connection with the Merger and any transactions related thereto, the Stockholder's identity and ownership of the Shares and the nature of the Stockholder's commitments, arrangements and understandings under this Agreement, provided that any public announcement or disclosure is made in accordance with the terms of the Merger Agreement and the requirements of Applicable Law, subject to Parent using its reasonable best efforts to consult with the Stockholder and giving the Stockholder the right to review and comment upon any such disclosure. In addition, the Stockholder will cooperate with Parent in connection with the filing of any Schedule 13D or amendment thereto that Parent reasonably determines is required under the Exchange Act in connection with this Agreement.

12. **Consent and Waiver.** The Stockholder hereby gives any consents or waivers that are reasonably required for the consummation of the Merger under the terms of any agreement or instrument to which the Stockholder is a party. Without limiting the generality of or effect of the foregoing, the Stockholder hereby waives any and all rights to contest or object to the execution and delivery of the Merger Agreement, the actions of the Board of Directors of the Company in approving and recommending the Merger, the consummation of the Merger and the other transactions contemplated by the Merger Agreement, or to seek damages or other legal or equitable relief in connection therewith. From and after the Effective Time, the Stockholder's right to receive its portion of the Merger Consideration on the terms and subject to the conditions set forth in the Merger Agreement shall constitute the Stockholder's sole and exclusive right against the Company and/or Parent or Merger Sub in respect of the Stockholder's status as a stockholder of the Company.

13. **Confidentiality.** The Stockholder shall hold any information regarding this Agreement and the Merger in strict confidence and shall not divulge any such information to any third person (except to affiliates and to its limited partners, investment bankers, attorneys, financial and other advisors) until the Parent has publicly disclosed the Merger, except for disclosures which the Stockholder's legal counsel advises are necessary in order to fulfill such Stockholder's obligations imposed by law, in which event the Stockholder shall give prior notice of such disclosure to Parent as promptly as practicable. Subject to the exception in the immediately preceding sentence, neither the Stockholder, nor any of its affiliates shall issue or cause the publication of any press release or other public announcement with respect to this Agreement, the Merger, the Merger Agreement or other transactions contemplated thereby.

14. **Termination.** This Agreement shall automatically terminate (without requirement of further action or notice) on the Expiration Date.

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15. *Miscellaneous.*

(a) This Agreement may be amended, modified or supplemented only by written agreement of the parties.

(b) Any failure of the Stockholder, on the one hand, or Parent and Merger Sub, on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived by Parent (with respect to any failure by the Stockholder) or the Stockholder (with respect to any failure by Parent or Merger Sub), respectively, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 15(b).

(c) All notices and other communications hereunder shall be in writing and shall be delivered personally by overnight courier or similar means or sent by facsimile with written confirmation of receipt, to the parties at the addresses specified below (or at such other address for a party as shall be specified by like notice. Any such notice shall be effective upon receipt, if personally delivered or on the next business day following transmittal if sent by confirmed facsimile. Notices, including oral notices, shall be delivered as follows:

if to the Stockholder, at the address set forth on the signature page, with a copy to the address provided thereto (if blank no such copy shall be required).

if to Parent, BV Sub or Merger Sub, to:

NAVTEQ Corporation
222 Merchandise Mart, Suite 900
Chicago, Illinois 60654
Attention: Lawrence M. Kaplan
Facsimile: 312-894-7212

with a copy to:

Pepper Hamilton LLP
600 Fourteenth Street, N.W.
Washington, D.C. 20005
Attention: Thomas L. Hanley
Facsimile: 202-220-1665

(d) Neither this Agreement nor any right, interest or obligation hereunder shall be assigned by either of the parties hereto without the prior written consent of the other party. This Agreement shall be binding upon and inure to the benefit of Parent and Merger Sub and its and their successors and permitted assigns and shall be binding upon the Stockholder and the Stockholder's heirs, successors and assigns by will or by the laws of descent. This Agreement is not intended to confer any rights or remedies hereunder upon any other person except the parties hereto.

(e) This agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any conflicts of law provisions.

(f) EACH PARTY HEREBY IRREVOCABLY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING IN WHOLE OR IN PART UNDER, RELATED TO, BASED ON, OR IN CONNECTION WITH, THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN TORT OR CONTRACT OR OTHERWISE.

- (g) Each of the parties hereto (i) irrevocably consents to the jurisdiction and venue of the Delaware Court of Chancery or any court of the United States located in the State of Delaware in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the Delaware Court of Chancery or, if under Applicable Law exclusive jurisdiction over such matter is vested in the federal courts, any court of the United States located in the State of Delaware and (iv) consents to service being made through the notice procedures set forth in Section 15(c). Each party hereby agrees that service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth herein for the delivery of notices generally shall be effective service of process for any legal proceeding in connection with this Agreement or the transactions contemplated hereby.
- (h) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- (i) In case any one or more of the provisions contained in this Agreement should be finally determined to be invalid, illegal or unenforceable in any respect against a party hereto, it shall be adjusted if possible to effect the intent of the parties. In any event, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability shall only apply as to such party in the specific jurisdiction where such final determination shall have been made.
- (j) The section headings contained in this Agreement are solely for the purpose of reference and shall not in any way affect the meaning or interpretation of this Agreement. The word including shall be deemed to mean including without limitation.
- (k) This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no representations, promises, warranties, covenants, or undertakings, other than those expressly set forth or referred to herein and therein.
- (l) The parties hereby acknowledge and agree that the failure of any party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part in accordance with the terms and conditions of this Agreement to facilitate the Merger, will cause irreparable injury to the other parties, for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder.
- (m) Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party shall be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy shall not preclude the exercise of any other remedy.
- (n) All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.
- (o) Each party to this Agreement has been represented by counsel during the preparation and execution of this Agreement, and therefore waives any rule of construction that would construe ambiguities against the party drafting the agreement.
- (p) From time to time, at the other party's request and without further consideration, each party hereto shall execute and deliver such additional documents and take all such further action as may be reasonably necessary to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have signed this Stockholder Voting Agreement, in the case of each of Parent, BV Sub and Merger Sub, by its duly authorized officer, as of the date first above written.

NAVTEQ CORPORATION

By: /s/ DAVID B. MULLEN
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

NAVTEQ Holdings Delaware, Inc.

By: /s/ DAVID B. MULLEN
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

STOCKHOLDER

Name (print)

Signature

Stockholder Address:

NAVTEQ HOLDINGS B.V.

By: /s/ DAVID B. MULLEN
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

SPOUSE SIGNATURE (if applicable)

Name (print)

Signature

with a copy to:

COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have signed this Stockholder Voting Agreement, in the case of each of Parent, BV Sub and Merger Sub, by its duly authorized officer, as of the date first above written.

NAVTEQ CORPORATION

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief Financial Officer*

NAVTEQ HOLDINGS B.V.

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief Financial Officer*

NAVTEQ HOLDINGS DELAWARE, INC.

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief Financial Officer*

ROBERT N. VERRATTI

Robert N. Verratti
Name (print)
/s/ ROBERT N. VERRATTI
Signature
Stockholder Address:
210 Springhouse Pond
Wayne, PA 19087

SPOUSE SIGNATURE (if applicable)

N/A
Name (print)

Signature
with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	397,021
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	83,333
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	0

Voting Agreement Signature Page Execution Copy

COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have signed this Stockholder Voting Agreement, in the case of each of Parent, BV Sub and Merger Sub, by its duly authorized officer, as of the date first above written.

NAVTEQ CORPORATION

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief
Financial Officer*

NAVTEQ HOLDINGS B.V.

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief
Financial Officer*

NAVTEQ HOLDINGS DELAWARE, INC.

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief Financial Officer*

DAVID L. JANNETTA

Name (print)
/s/ DAVID L. JANNETTA
Signature
Stockholder Address:
1135 Parson Curry Lane
Malvern, PA 19355

SPOUSE SIGNATURE (if applicable)

N/A
Name (print)

Signature
with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	367,917
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	475,698
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	0

Voting Agreement Signature Page Execution Copy

COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have signed this Stockholder Voting Agreement, in the case of each of Parent, BV Sub and Merger Sub, by its duly authorized officer, as of the date first above written.

NAVTEQ CORPORATION

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief Financial Officer*

NAVTEQ HOLDINGS DELAWARE, INC.

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief Financial Officer*

THE JANNETTA FAMILY TRUST

Name (print)
/s/ DAVID L. JANNETTA
Signature
Stockholder Address:
1135 Parson Curry Lane
Malvern, PA 19355

NAVTEQ HOLDINGS B.V.

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief Financial Officer*

SPOUSE SIGNATURE (if applicable)

N/A
Name (print)

Signature
with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	51,900
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	0
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	0

Voting Agreement Signature Page Execution Copy

COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have signed this Stockholder Voting Agreement, in the case of each of Parent, BV Sub and Merger Sub, by its duly authorized officer, as of the date first above written.

NAVTEQ CORPORATION

By:
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

NAVTEQ HOLDINGS DELAWARE, INC.

By:
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

MARK J. DENINO

Mark J. DeNino
Name (print)
/s/ MARK J. DENINO
Signature
Stockholder Address:
Box 2303
Southeastern, PA 19399

NAVTEQ HOLDINGS B.V.

By:
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

SPOUSE SIGNATURE (if applicable)

N/A
Name (print)

Signature
with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	117,082
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	12,500
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	0

Voting Agreement Signature Page Execution Copy

COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have signed this Stockholder Voting Agreement, in the case of each of Parent, BV Sub and Merger Sub, by its duly authorized officer, as of the date first above written.

NAVTEQ CORPORATION

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief Financial Officer*

NAVTEQ HOLDINGS DELAWARE, INC.

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief Financial Officer*

CHRISTOPHER M. ROTHEY

Name (print)
/s/ CHRISTOPHER M. ROTHEY
Signature
Stockholder Address:
2180 Pikeland Rd.
Malvern, PA 19355

NAVTEQ HOLDINGS B.V.

By:
Name: David B. Mullen
Title: *Executive Vice President and Chief Financial Officer*

SPOUSE SIGNATURE (if applicable)

N/A
Name (print)

Signature
with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	1,666
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	140,514
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	0

Voting Agreement Signature Page Execution Copy

IRREVOCABLE PROXY

The undersigned Stockholder (the *Stockholder*) of Traffic.com, Inc., a Delaware corporation (the *Company*), hereby irrevocably (to the fullest extent permitted by law) appoints each of Judson D. Green, David Mullen and Lawrence M. Kaplan of NAVTEQ Corporation, as the sole and exclusive attorneys and proxies of the undersigned, with full power of substitution and resubstitution, to vote and exercise all voting and related rights (to the full extent that the undersigned is entitled to do so) with respect to all of the shares of capital stock of the Company that now are or hereafter may be beneficially owned by the undersigned, and any and all other shares or securities of the Company issued or issuable in respect thereof on or after the date hereof (collectively, the *Shares*), in accordance with the terms of this Proxy. The Shares beneficially owned by the Stockholder as of the date of this Proxy are listed on the signature page of this Proxy, along with the number(s) of the stock certificate(s) representing such Shares. Upon the Stockholder's execution of this Proxy, any and all prior proxies given by the undersigned with respect to any Shares are hereby revoked and terminated, and the Stockholder agrees not to grant any subsequent proxies with respect to the Shares until after the Expiration Date (as defined below).

This Proxy is irrevocable (to the fullest extent permitted by law), is coupled with an interest and is granted pursuant to that certain Stockholder Voting Agreement of even date herewith (the *Voting Agreement*) by and among NAVTEQ Corporation, a Delaware corporation (the *Parent*), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands (*BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (*Merger Sub*), the Company and the undersigned Stockholder of the Company, and is granted in consideration of Parent, BV Sub and Merger Sub entering into that certain Agreement and Plan of Merger of even date herewith (as it may hereafter be amended from time to time in accordance with the provisions thereof, the *Merger Agreement*) by and among Parent, BV Sub, Merger Sub and the Company. The Merger Agreement provides for the merger of the Company with and into Merger Sub (the *Merger*), and Stockholder will be entitled to receive a portion of the consideration payable in connection with the Merger. The term *Expiration Date*, as used in this Proxy, shall mean the earlier to occur of (i) such date and time as the Merger Agreement shall have been validly terminated pursuant to its terms, (ii) such date and time as the Merger shall become effective in accordance with the terms and conditions set forth in the Merger Agreement or (iii) the occurrence of a Material Adverse Amendment. The term *Material Adverse Amendment* means an amendment to the Merger Agreement that (i) materially and adversely affects the Stockholder and (ii) is approved by the Company's Board of Directors notwithstanding the fact that in such vote the Stockholder's nominee on the Company's Board of Directors voted against such amendment.

The attorneys and proxies named above, and each of them, are hereby authorized and empowered by the Stockholder, at any time prior during the Voting Period (as defined in the Voting Agreement), to act as the Stockholder's attorney and proxy to vote all of the Shares, and to exercise all voting, consent and similar rights of the undersigned with respect to all of the Shares (including, without limitation, the power to execute and deliver written consents) at every annual or special meeting of stockholders of the Company (and at every adjournment or postponement thereof), and in every written consent in lieu of such meeting:

- (a) in favor of the approval and adoption of the Merger Agreement and approval of the Merger, not including any Material Adverse Amendment;
- (b) against the approval of any action, proposal, transaction or agreement that would result, or could reasonably be expected to result, in any material respect in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company contained in the Merger Agreement; and

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(c) against any proposal made in opposition to, or in competition with, consummation of the Merger and the other transactions contemplated by the Merger Agreement, including any Acquisition Proposal (as defined in the Merger Agreement).

The attorneys and proxies named above may not exercise this Proxy on any other matter except as provided in clauses (a), (b) and (c) above. The Stockholder may vote the Shares on all other matters. Notwithstanding anything in this Proxy to the contrary, if the Stockholder is a director or officer of the Company, nothing contained in this Proxy shall not limit or restrict any actions taken by the Stockholder in his or her capacity as a director or officer of the Company either (i) pursuant to Applicable Law or (ii) in exercising the Company's rights or fulfilling the Company's obligations under the Merger Agreement (to the extent permitted or required by the Merger Agreement).

Any obligation of Stockholder hereunder shall be binding upon the successors and assigns of Stockholder.

This Proxy shall terminate, and be of no further force and effect, automatically upon the Expiration Date.

[signature page follows]

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COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the Stockholder has caused this Irrevocable Proxy to be duly executed as of the day and year first above written.

ROBERT N. VERRATTI

Robert N. Verratti
Name (print)
/s/ ROBERT N. VERRATTI
Signature
Stockholder Address:
210 Springhouse Pond
Wayne, PA 19087

SPOUSE SIGNATURE (if applicable)

N/A
Name (print)

Signature
with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	397,021
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	83,333
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	0

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COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the Stockholder has caused this Irrevocable Proxy to be duly executed as of the day and year first above written.

DAVID L. JANNETTA

Name (print)
/s/ DAVID L. JANNETTA
Signature
Stockholder Address:
1135 Parson Curry Lane
Malvern, PA 19355

SPOUSE SIGNATURE (if applicable)

N/A
Name (print)

Signature
with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	367,917
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	475,698
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	0

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COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the Stockholder has caused this Irrevocable Proxy to be duly executed as of the day and year first above written.

MARK J. DENINO

Mark J. Denino
Name (print)
/s/ MARK J. DENINO
Signature
Stockholder Address:
Box 2303
Southeastern, PA 19399

SPOUSE SIGNATURE (if applicable)

N/A
Name (print)

Signature
with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	117,082
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	12,500
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	0

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COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the Stockholder has caused this Irrevocable Proxy to be duly executed as of the day and year first above written.

THE JANNETTA FAMILY TRUST

Name (print)
/s/ DAVID L. JANNETTA
Signature
Stockholder Address:
1135 Parson Curry Lane
Malvern, PA 19355

SPOUSE SIGNATURE (if applicable)

N/A
Name (print)

Signature
with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	51,900
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	0
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	0

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COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the Stockholder has caused this Irrevocable Proxy to be duly executed as of the day and year first above written.

CHRISTOPHER M. ROTHEY

Name (print)

/s/ CHRISTOPHER M. ROTHEY

Signature

Stockholder Address:

2180 Pikeland Rd.

Malvern, PA 19355

SPOUSE SIGNATURE (if applicable)

N/A

Name (print)

Signature

with a copy to:

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	1,666
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	140,514
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	0

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Annex B-2

STOCKHOLDER VOTING AGREEMENT

This STOCKHOLDER VOTING AGREEMENT (this *Agreement*) is made and entered into as of November 5, 2006 by and among NAVTEQ Corporation, a Delaware corporation (the *Parent*), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands (*BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (*Merger Sub*), Traffic.com, Inc., a Delaware corporation (the *Company*), and the person whose name appears on the signature page hereto as a Stockholder (the *Stockholder*) of the Company. Capitalized terms used and not otherwise defined herein, and defined in the Merger Agreement (as defined below), shall have the respective meanings ascribed to them in the Merger Agreement.

RECITALS

WHEREAS, concurrently with the execution of this Agreement, the Company, Parent, BV Sub and Merger Sub are entering into an Agreement and Plan of Merger of even date herewith (the *Merger Agreement*), pursuant to which the parties thereto have agreed, upon the terms and subject to the conditions set forth therein, to the Merger;

WHEREAS, the Stockholder is the beneficial owner of such number of shares of common stock of the Company, par value \$0.01 per share (the *Company Common Stock*), set forth on the signature page hereto, and options, warrants or other rights to acquire such number of shares of Company Common Stock as set forth on the signature page hereto;

WHEREAS, the Stockholder has expressed its intention to elect to receive the Merger Consideration in respect of such Shares (as defined below) beneficially owned by such Stockholder entirely in shares of Parent Common Stock through the making of a Stock Election;

WHEREAS, as a material inducement and a condition to Parent, BV Sub and Merger Sub entering into the Merger Agreement, Parent has requested that the Stockholder agree, and the Stockholder has agreed (in the Stockholder's capacity as such), for the benefit of Parent, BV Sub and Merger Sub, to enter into this Agreement to facilitate the consummation of the Merger;

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, and intending to be legally bound hereby, Parent, BV Sub, Merger Sub and the Stockholder hereby agree as follows:

1. ***Certain Definitions.*** For purposes of this Agreement:

Expiration Date shall mean the earlier to occur of (a) such date and time as the Merger Agreement shall have been validly terminated pursuant to its terms, (b) the Effective Time, or (c) the occurrence of a Material Adverse Amendment; provided, however, that the obligations of the Stockholder pursuant to Section 9 hereof shall survive the Expiration Date and continue for such time as provided in Section 9.

Material Adverse Amendment means an amendment to the Merger Agreement that (i) materially and adversely affects the Stockholder and (ii) is approved by the Company's Board of Directors notwithstanding the fact that in such vote the Stockholder's nominee on the Company's Board of Directors voted against such amendment.

Shares means (a) all equity securities of the Company (including all shares of Company Common Stock, and all options, warrants and other rights to acquire shares of Company Common Stock) beneficially owned by the Stockholder as of the date of this Agreement and (b) all additional

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equity securities of the Company (including all additional options, warrants and other rights to acquire shares of Company Common Stock) of which Stockholder acquires beneficial ownership during the period commencing with the execution and delivery of this Agreement until the Expiration Date; provided, however, that nothing herein shall obligate the holder to acquire additional equity securities of the Company, by exercise of options, warrants or other rights to acquire, or otherwise.

Voting Period means the period commencing on the date of this Agreement and continuing until the Expiration Date.

2. ***Representations and Warranties of Stockholder.*** The Stockholder represents and warrants to Parent, BV Sub and Merger Sub as follows:

(a) The Stockholder is the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act, provided, however, that for the purposes of this Agreement, such term shall include any Shares that may be acquired more than sixty (60) days from the date hereof) of all of the Shares. The Stockholder has sole voting power and the sole power of disposition with respect to all of the Shares, with no limitations, qualifications or restrictions on such rights (subject to applicable federal securities laws and the terms of this Agreement). Such Shares constitute all of the Shares beneficially owned by the Stockholder. The Shares are held by the Stockholder, or by a nominee or custodian for the benefit of the Stockholder, free and clear of all mortgages, claims, charges, liens, security interests, pledges, options, proxies, voting trusts or agreements (*Encumbrances*), except for any such Encumbrances arising hereunder and Encumbrances applicable to all securityholders alike, such as the restrictions upon resale imposed by the Securities Act.

(b) The Stockholder has the legal capacity, power and authority, as applicable, to enter into and perform all of the Stockholder's obligations under this Agreement. This Agreement has been duly and validly executed and delivered by the Stockholder and constitutes (assuming due execution and delivery of this Agreement by Parent, BV Sub and Merger Sub) a valid and binding agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles. The execution, delivery and performance of this Agreement by the Stockholder will not violate any agreement or court order to which the Stockholder is a party or is subject, including, without limitation, any voting agreement or voting trust, except for any of the foregoing as would not impair the Stockholder's ability to perform its obligations under this Agreement in any material respect.

(c) Except for any applicable filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority or any other Person is required to be made or obtained by the Stockholder for the execution of this Agreement by the Stockholder, compliance by the Stockholder with the provisions hereof or performance of the Stockholder's obligations hereunder.

(d) The Stockholder understands and acknowledges that Parent is entering into, and causing BV Sub and Merger Sub to enter into, the Merger Agreement in reliance upon the Stockholder's concurrent execution and delivery of this Agreement, including Parent's reliance on the Stockholder's representations and warranties contained herein.

3. ***Representations and Warranties of the Company.*** The Company hereby represents and warrants to Parent, BV Sub and Merger Sub as follows:

(a) The Company has the corporate power and authority to enter into and perform all of its obligations under this Agreement. This Agreement has been duly and validly executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except to the extent that its enforceability may be limited

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by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles.

(b) Except for filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority is necessary for the execution of this Agreement by the Company, compliance by the Company with the provisions hereof or performance of its obligations hereunder.

4. **Representations and Warranties of Parent, BV Sub and Merger Sub.** Parent, BV Sub and Merger Sub hereby represent and warrant to the Stockholder as follows:

(a) Parent, BV Sub and Merger Sub have the corporate power and authority to enter into and perform all of their respective obligations under this Agreement. This Agreement has been duly and validly executed and delivered by Parent, BV Sub and Merger Sub and constitutes a valid and binding agreement of each of them, enforceable against them in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or by general equitable principles.

(b) Except for filings under the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority is necessary for the execution of this Agreement by Parent, BV Sub or Merger Sub, compliance by Parent, BV Sub and Merger Sub with the provisions hereof or performance of their obligations hereunder.

5. **Voting Agreement.**

(a) The Stockholder hereby irrevocably and unconditionally agrees that, during the Voting Period, the Stockholder shall (i) appear (in person or by proxy) at any meeting (whether annual or special and whether or not an adjourned or postponed meeting) of the holders of Company Common Stock, properly called, or otherwise cause the Shares then beneficially owned by the Stockholder to be counted as present thereat for purposes of establishing a quorum, and (ii) vote or provide a written consent with respect to all Shares (or will cause all Shares to be voted, or cause a written consent to be provided with respect to all Shares) (A) in favor of adoption and approval of the Merger Agreement and approval of the Merger, not including any Material Adverse Amendment, (B) against any action, proposal, transaction or agreement that would result, or could reasonably be expected to result, in any material respect in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company contained in the Merger Agreement, and (C) against any proposal made in opposition to, or in competition with, consummation of the Merger and the other transactions contemplated by the Merger Agreement, including any Acquisition Proposal. In all other matters, the Shares shall be voted by and in the manner determined by the Stockholder.

(b) Notwithstanding any other provision of this Agreement, if the Stockholder is a director or officer of the Company, it is expressly understood and agreed that this Agreement shall not limit or restrict any actions taken by the Stockholder in his or her capacity as a director or officer of the Company either (i) pursuant to Applicable Law or (ii) in exercising the Company's rights or fulfilling the Company's obligations under the Merger Agreement (to the extent permitted or required by the Merger Agreement).

6. **Grant of Irrevocable Proxy.** Concurrently with the execution and delivery of this Agreement, the Stockholder has delivered to Parent a proxy in the form attached hereto as *Exhibit A* (the *Proxy*) with respect to the Shares. Such Proxy shall be irrevocable to the fullest extent permitted by Applicable Law and shall terminate upon the termination of this Agreement.

7. **No Solicitation.** The Stockholder shall, and shall cause its affiliates that it controls and its and its control affiliates' respective directors, officers, employees, investment bankers, attorneys,

financial and other advisors or other representatives not to, directly or indirectly, (i) solicit, initiate, knowingly encourage, or induce the making, submission or announcement of, an Acquisition Proposal, (ii) furnish to any Person (other than Parent, BV Sub, Merger Sub or any designees of Parent, BV Sub or Merger Sub) any non-public information relating to the Company or any of its Subsidiaries, or afford access to the business, properties, assets, books or records of the Company or any of its Subsidiaries to any Person (other than Parent, BV Sub, Merger Sub or any designees of Parent, BV Sub or Merger Sub), or take any other action intended to assist or facilitate any inquiries or the making of any proposal that constitutes or could reasonably be expected to lead to an Acquisition Proposal, (iii) participate or engage in discussions or negotiations with any Person with respect to an Acquisition Proposal (other than to notify such Person as to the existence of this provision), (iv) approve, endorse or recommend an Acquisition Proposal, (v) enter into any letter of intent, memorandum of understanding or other agreement, contract or arrangement contemplating or otherwise relating to an Acquisition Transaction, or (vi) terminate, amend or waive any rights under any standstill or other similar agreement between the Stockholder and any Person (other than Parent). The Stockholder shall immediately cease any and all existing activities, discussions or negotiations with any persons (other than Parent and its affiliates and representatives) conducted heretofore with respect to any Acquisition Proposal. Without limiting the generality of the foregoing, the Stockholder acknowledges and hereby agrees that any violation of the restrictions set forth in this Section 7 by the Stockholder or any representatives of the Stockholder shall be deemed to be a breach of this Section 7 by the Stockholder. The Stockholder shall not enter into any letter of intent or similar document or any agreement contemplating or otherwise relating to an Acquisition Proposal unless and until this Agreement is terminated pursuant to its terms.

8. **No Transfers During Voting Period.** The Stockholder agrees that during the Voting Period, except as expressly contemplated by the terms of this Agreement, such Stockholder shall not, directly or indirectly, (i) sell, transfer, tender, pledge, encumber, assign or otherwise dispose of (including by merger, testamentary disposition, interspousal disposition pursuant to spousal domestic relations proceedings or otherwise, or otherwise by operation of law) (collectively, *Transfer*) any of the Shares, or enter into any contract, option or other agreement to Transfer any of the Shares, or otherwise cause or permit the Transfer of any Shares, (ii) grant any proxies or powers of attorney or enter into any voting trust or other similar agreements or arrangements with respect to any Shares; (iii) request that the Company register the Transfer of any certificate or uncertificated interest representing any of the Shares, or (iv) take any action that would have the effect of preventing, impeding, interfering with or adversely affecting its ability to perform its obligations under this Agreement. The Stockholder hereby agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate stop transfer instructions to its transfer agent in respect of the Shares. Notwithstanding the foregoing or anything to the contrary set forth in this Agreement, the Stockholder may surrender shares in connection with cashless or net exercise provisions of Company Options or Warrants to the extent necessary to effect exercises thereof (including the payment of any taxes required to be withheld and paid with respect to such exercises).

9. **Agreement Regarding Stock Election; Lock-Up.**

(a) The Stockholder agrees that, in connection with the consummation of the Merger, it shall elect to receive the Merger Consideration in respect of such Shares beneficially owned by such Stockholder entirely in shares of Parent Common Stock (the *Acquired Parent Shares*) through the making of a Stock Election under the Merger Agreement. The Stockholder agrees that it shall submit one or more Form(s) of Election designating a Stock Election with respect to all of the Shares and, in the event that the Stockholder should fail to submit a Form or Form(s) of Election with such designation with respect to any or all of the Shares, the Stockholder authorizes Parent and the Exchange Agent to submit a Form or Form(s) of Election with such designation in the name and on behalf of the Stockholder.

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(b) The Stockholder agrees that from the Effective Time and continuing for a period of six (6) months following the Effective Time (the *Lock-Up Expiration Date*), such Stockholder shall not, directly or indirectly, (i) Transfer any of the Acquired Parent Shares, or enter into any contract, option or other agreement to Transfer any of the Acquired Parent Shares, or otherwise cause or permit the Transfer of any Acquired Parent Shares or (ii) request that the Company register the Transfer of any certificate or uncertificated interest representing any of the Acquired Parent Shares. The Stockholder hereby agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate stop transfer instructions to its transfer agent in respect of the Acquired Parent Shares. The restrictions on transfer provided in this Section 9(b) shall be in addition to any restrictions on transfer of the Acquire Parent Shares imposed by Applicable Law.

(c) Notwithstanding anything to the contrary contained herein, the Stockholder may Transfer Acquired Parent Shares (i) if such transfer occurs by operation of law or statutes governing the effects of a merger, (ii) as a distribution to limited partners of the Stockholder (provided, however, that such limited partners agree in writing to be bound by the applicable terms of this Section 9), (iii) at any time after Parent consummates a transaction, or enters into an agreement, that would cause or result in a Change In Control of Parent; or (iv) at any time after any agreement that imposes a Transfer restriction on Parent Acquired Shares by any other stockholder of the Company has terminated or been amended, or any rights of Parent or obligations of such stockholder under such agreement have been waived. In addition, the Stockholder may Transfer up to that number of shares (A) not in excess of five percent (5%) of the Acquired Parent Shares beneficially owned by the Stockholder at the Effective Time if the price per share of Parent common stock as reported on the New York Stock Exchange (*NYSE*) on the date of initiation of such Transfer is not less than \$40, (B) not in excess of 15 percent (15%) (including any shares Transferred pursuant to the immediately preceding clause (A)) of the Acquired Parent Shares beneficially owned by the Stockholder at the Effective Time if the price per share of Parent common stock as reported on the NYSE on the date of the initiation of such Transfer is not less than \$45, and (C) not in excess of 25 percent (25%) (including any shares Transferred pursuant to the immediately preceding clauses (A) and (B)) of the Acquired Parent Shares beneficially owned by the Stockholder at the Effective Time if the price per share of Parent common stock as reported on the NYSE on the date of the initiation of such Transfer is not less than \$50. For purposes of this paragraph, *Change In Control* means (a) the direct or indirect acquisition (except for transactions described in clause (b) of this paragraph below), whether in one or a series of transactions by any person, or related persons of (i) ownership, beneficial or otherwise, of issued and outstanding shares of capital stock of a party, the result of which acquisition is that such person or such group possesses 50% or more of the combined voting power of all then-issued and outstanding capital stock of such party, or (ii) the power to elect, appoint, or cause the election or appointment of at least a majority of the members of the board of directors (or such other governing body in the event a party or any successor entity is not a corporation); (b) a merger, consolidation or other reorganization or recapitalization of a party with a person or a direct or indirect subsidiary of such person, *provided* that the result of such merger, consolidation or other reorganization or recapitalization, whether in one or a series of related transactions, is that the holders of the outstanding voting stock of such party immediately prior to such consummation do not possess, whether directly or indirectly, immediately after the consummation of such transaction, in excess of 50% of the combined voting power of all then-issued and outstanding stock of the merged, consolidated, reorganized or recapitalized person, its direct or indirect parent, or the surviving person of such transaction; (c) the stockholders of a party approve a plan of complete liquidation of such party; or (d) a sale or disposition, whether in one or a series of transactions, of all or substantially all of a party's assets.

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10. *Acquisition of Additional Shares.*

(a) At all times during the period commencing with the execution and delivery of this Agreement and continuing until the Expiration Date, the Stockholder shall promptly notify Parent of the number of any additional shares of Company Common Stock and the number and type of any other voting securities of the Company acquired by the Stockholder, if any, after the date hereof. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall obligate the Stockholder to exercise any option, warrant or other right to acquire Shares.

(b) In the event of a stock dividend or distribution, or any change in the Shares by reason of any stock dividend or distribution, split-up, recapitalization, combination, exchange of shares or the like, the term Shares shall be deemed to refer to and include the Shares as well as all such stock dividends and distributions and any securities into which or for which any or all of the Shares may be changed or exchanged or which are received in such transaction.

11. *No Ownership Interest.* Nothing contained in this Agreement shall be deemed to vest in Parent any direct or indirect ownership or incidence of ownership of or with respect to any Shares. Except as provided in this Agreement, all rights, ownership and economic benefits relating to the Shares shall remain vested in and belong to the Stockholder.

12. *Disclosure.* The Stockholder hereby agrees to permit Parent to publish and disclose in the Registration Statement and the Proxy Statement/Prospectus (including all documents and schedules filed with the SEC), and in any press release or other disclosure document which Parent reasonably determines to be necessary or desirable to comply with applicable law or the rules and regulations of The New York Stock Exchange in connection with the Merger and any transactions related thereto, the Stockholder's identity and ownership of the Shares and the nature of the Stockholder's commitments, arrangements and understandings under this Agreement, provided that any public announcement or disclosure is made in accordance with the terms of the Merger Agreement and the requirements of Applicable Law, subject to Parent using its reasonable best efforts to consult with the Stockholder and giving the Stockholder the right to review and comment upon any such disclosure. In addition, the Stockholder will cooperate with Parent in connection with the filing of any Schedule 13D or amendment thereto that Parent reasonably determines is required under the Exchange Act in connection with this Agreement.

13. *Consent and Waiver.* The Stockholder hereby gives any consents or waivers that are reasonably required for the consummation of the Merger under the terms of any agreement or instrument to which the Stockholder is a party. Without limiting the generality of or effect of the foregoing, the Stockholder hereby waives any and all rights to contest or object to the execution and delivery of the Merger Agreement, the actions of the Board of Directors of the Company in approving and recommending the Merger, the consummation of the Merger and the other transactions contemplated by the Merger Agreement, or to seek damages or other legal or equitable relief in connection therewith. From and after the Effective Time, the Stockholder's right to receive its portion of the Merger Consideration on the terms and subject to the conditions set forth in the Merger Agreement shall constitute the Stockholder's sole and exclusive right against the Company and/or Parent or Merger Sub in respect of the Stockholder's status as a stockholder of the Company.

14. *Confidentiality.* The Stockholder shall hold any information regarding this Agreement and the Merger in strict confidence and shall not divulge any such information to any third person (except to affiliates and to its limited partners, investment bankers, attorneys, financial and other advisors) until the Parent has publicly disclosed the Merger, except for disclosures which the Stockholder's legal counsel advises are necessary in order to fulfill such Stockholder's obligations imposed by law, in which event the Stockholder shall give prior notice of such disclosure to Parent as promptly as practicable. Subject to the exception in the immediately preceding sentence, neither the Stockholder, nor any of its affiliates shall issue or cause the publication of any press release or other

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public announcement with respect to this Agreement, the Merger, the Merger Agreement or other transactions contemplated thereby.

15. **Termination.** This Agreement shall automatically terminate (without requirement of further action or notice) on the Expiration Date; provided, however, that the provisions of Section 9(b) shall continue in effect after the Expiration Date until the Lock-Up Expiration Date and the provisions of Section 13 and Section 16 shall continue in effect with respect to Section 9(b) until the Lock-Up Termination Date.

16. **Miscellaneous.**

(a) This Agreement may be amended, modified or supplemented only by written agreement of the parties.

(b) Any failure of the Stockholder, on the one hand, or Parent and Merger Sub, on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived by Parent (with respect to any failure by the Stockholder) or the Stockholder (with respect to any failure by Parent or Merger Sub), respectively, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 16(b).

(c) All notices and other communications hereunder shall be in writing and shall be delivered personally by overnight courier or similar means or sent by facsimile with written confirmation of receipt, to the parties at the addresses specified below (or at such other address for a party as shall be specified by like notice. Any such notice shall be effective upon receipt, if personally delivered or on the next business day following transmittal if sent by confirmed facsimile. Notices, including oral notices, shall be delivered as follows:

if to the Stockholder, at the address set forth on the signature page, with a copy to the address provided thereto.

if to Parent, BV Sub or Merger Sub, to:

NAVTEQ Corporation
222 Merchandise Mart, Suite 900
Chicago, Illinois 60654
Attention: Lawrence M. Kaplan
Facsimile: 312-894-7212

with a copy to:

Pepper Hamilton LLP
600 Fourteenth Street, N.W.
Washington, D.C. 20005
Attention: Thomas L. Hanley
Facsimile: 202-220-1665

(d) Neither this Agreement nor any right, interest or obligation hereunder shall be assigned by either of the parties hereto without the prior written consent of the other party. This Agreement shall be binding upon and inure to the benefit of Parent and Merger Sub and its and their successors and permitted assigns and shall be binding upon the Stockholder and the Stockholder's heirs, successors

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and assigns by will or by the laws of descent. This Agreement is not intended to confer any rights or remedies hereunder upon any other person except the parties hereto.

(e) This agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any conflicts of law provisions.

(f) EACH PARTY HEREBY IRREVOCABLY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING IN WHOLE OR IN PART UNDER, RELATED TO, BASED ON, OR IN CONNECTION WITH, THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN TORT OR CONTRACT OR OTHERWISE.

(g) Each of the parties hereto (i) irrevocably consents to the jurisdiction and venue of the Delaware Court of Chancery or any court of the United States located in the State of Delaware in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the Delaware Court of Chancery or, if under Applicable Law exclusive jurisdiction over such matter is vested in the federal courts, any court of the United States located in the State of Delaware and (iv) consents to service being made through the notice procedures set forth in Section 16(c). Each party hereby agrees that service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth herein for the delivery of notices generally shall be effective service of process for any legal proceeding in connection with this Agreement or the transactions contemplated hereby.

(h) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(i) In case any one or more of the provisions contained in this Agreement should be finally determined to be invalid, illegal or unenforceable in any respect against a party hereto, it shall be adjusted if possible to effect the intent of the parties. In any event, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability shall only apply as to such party in the specific jurisdiction where such final determination shall have been made.

(j) The section headings contained in this Agreement are solely for the purpose of reference and shall not in any way affect the meaning or interpretation of this Agreement. The word including shall be deemed to mean including without limitation.

(k) This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no representations, promises, warranties, covenants, or undertakings, other than those expressly set forth or referred to herein and therein.

(l) The parties hereby acknowledge and agree that the failure of any party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part in accordance with the terms and conditions of this Agreement to facilitate the Merger, will cause irreparable injury to the other parties, for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder.

(m) Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party shall be deemed cumulative with and not exclusive of any other remedy conferred

hereby, or by law or equity upon such party, and the exercise by a party of any one remedy shall not preclude the exercise of any other remedy.

(n) All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses; provided, however, that Parent shall reimburse the reasonable legal fees and expenses incurred by Stockholder up to a maximum of \$20,000.

(o) Each party to this Agreement has been represented by counsel during the preparation and execution of this Agreement, and therefore waives any rule of construction that would construe ambiguities against the party drafting the agreement.

(p) From time to time, at the other party's request and without further consideration, each party hereto shall execute and deliver such additional documents and take all such further action as may be reasonably necessary to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement.

[signature page follows]

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IN WITNESS WHEREOF, the parties hereto have signed this Stockholder Voting Agreement, in the case of each of Parent, BV Sub and Merger Sub, by its duly authorized officer, as of the date first above written.

NAVTEQ CORPORATION

By: /s/ DAVID B. MULLEN
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

NAVTEQ HOLDINGS DELAWARE, INC.

By: /s/ DAVID B. MULLEN
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

NAVTEQ HOLDINGS B.V.

By: /s/ DAVID B. MULLEN
Name: David B. Mullen
Title: *Executive Vice President and
Chief Financial Officer*

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counterpart signature page

IN WITNESS WHEREOF, the parties hereto have signed this Stockholder Voting Agreement, in the case of each of Parent, BV Sub and Merger Sub, by its duly authorized officer, as of the date first above written.

TL VENTURES III, L.P.

By: TL Ventures III Management L.P.,
its general partner

By: TL Ventures III LLC,
its general partner

By: /s/ MARK J. DEnINO

TL vENTURES III iNTERFUND, L.P.

By: TL Ventures III LLC,
its general partner

By: /s/ MARK J. DEnINO

TL vENTURES IV iNTERFUND, L.P.

By: TL Ventures IV LLC,
its general partner

By: /s/ MARK J. DEnINO

Stockholder Address:

TL Ventures
435 Devon Park Drive Bldg. 700
Wayne, PA
Attention: Mark J. DeNino
Fax: 484-582-1099

TL VENTURES III oFFSHORE, L.P.

By: TL Ventures III Offshore Partners, L.P.,
its general partner

By: TL Ventures III Offshore Ltd.,
its general partner

By: /s/ MARK J. DEnINO

TL vENTURES IV, L.P.

By: TL Ventures IV Management L.P.,
its general partner

By: TL Ventures IV LLC,
its general partner

By: /s/ MARK J. DEnINO

with a copy to:

Dechert LLP
2929 Arch Street
Philadelphia, PA 19104
Attention: Henry N. Nassau, Esq. and
John D. Larocca, Esq.
Fax: 215-994-2222

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	6,913,181
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	0
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	701,140

Voting Agreement Signature Page Execution Copy

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IRREVOCABLE PROXY

The undersigned Stockholder (the *Stockholder*) of Traffic.com, Inc., a Delaware corporation (the *Company*), hereby irrevocably (to the fullest extent permitted by law) appoints each of Judson D. Green, David Mullen and Lawrence M. Kaplan of NAVTEQ Corporation, as the sole and exclusive attorneys and proxies of the undersigned, with full power of substitution and resubstitution, to vote and exercise all voting and related rights (to the full extent that the undersigned is entitled to do so) with respect to all of the shares of capital stock of the Company that now are or hereafter may be beneficially owned by the undersigned, and any and all other shares or securities of the Company issued or issuable in respect thereof on or after the date hereof (collectively, the *Shares*), in accordance with the terms of this Proxy. The Shares beneficially owned by the Stockholder as of the date of this Proxy are listed on the signature page of this Proxy, along with the number(s) of the stock certificate(s) representing such Shares. Upon the Stockholder's execution of this Proxy, any and all prior proxies given by the undersigned with respect to any Shares are hereby revoked and terminated, and the Stockholder agrees not to grant any subsequent proxies with respect to the Shares until after the Expiration Date (as defined below).

This Proxy is irrevocable (to the fullest extent permitted by law), is coupled with an interest and is granted pursuant to that certain Stockholder Voting Agreement of even date herewith (the *Voting Agreement*) by and among NAVTEQ Corporation, a Delaware corporation (the *Parent*), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands (*BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (*Merger Sub*), the Company and the undersigned Stockholder of the Company, and is granted in consideration of Parent, BV Sub and Merger Sub entering into that certain Agreement and Plan of Merger of even date herewith (as it may hereafter be amended from time to time in accordance with the provisions thereof, the *Merger Agreement*) by and among Parent, BV Sub, Merger Sub and the Company. The Merger Agreement provides for the merger of the Company with and into Merger Sub (the *Merger*), and Stockholder will be entitled to receive a portion of the consideration payable in connection with the Merger. The term *Expiration Date*, as used in this Proxy, shall mean the earlier to occur of (i) such date and time as the Merger Agreement shall have been validly terminated pursuant to its terms, (ii) such date and time as the Merger shall become effective in accordance with the terms and conditions set forth in the Merger Agreement or (iii) the occurrence of a Material Adverse Amendment. The term *Material Adverse Amendment* means an amendment to the Merger Agreement that (i) materially and adversely affects the Stockholder and (ii) is approved by the Company's Board of Directors notwithstanding the fact that in such vote the Stockholder's nominee on the Company's Board of Directors voted against such amendment.

The attorneys and proxies named above, and each of them, are hereby authorized and empowered by the Stockholder, at any time prior during the Voting Period (as defined in the Voting Agreement), to act as the Stockholder's attorney and proxy to vote all of the Shares, and to exercise all voting, consent and similar rights of the undersigned with respect to all of the Shares (including, without limitation, the power to execute and deliver written consents) at every annual or special meeting of stockholders of the Company (and at every adjournment or postponement thereof), and in every written consent in lieu of such meeting:

- (a) in favor of the approval and adoption of the Merger Agreement and approval of the Merger, not including any Material Adverse Amendment;
- (b) against the approval of any action, proposal, transaction or agreement that would result, or could reasonably be expected to result, in any material respect in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company contained in the Merger Agreement; and

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(c) against any proposal made in opposition to, or in competition with, consummation of the Merger and the other transactions contemplated by the Merger Agreement, including any Acquisition Proposal (as defined in the Merger Agreement).

The attorneys and proxies named above may not exercise this Proxy on any other matter except as provided in clauses (a), (b) and (c) above. The Stockholder may vote the Shares on all other matters. Notwithstanding anything in this Proxy to the contrary, if the Stockholder is a director or officer of the Company, nothing contained in this Proxy shall not limit or restrict any actions taken by the Stockholder in his or her capacity as a director or officer of the Company either (i) pursuant to Applicable Law or (ii) in exercising the Company's rights or fulfilling the Company's obligations under the Merger Agreement (to the extent permitted or required by the Merger Agreement).

Any obligation of Stockholder hereunder shall be binding upon the successors and assigns of Stockholder.

This Proxy shall terminate, and be of no further force and effect, automatically upon the Expiration Date.

[signature page follows]

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COUNTERPART SIGNATURE PAGE

IN WITNESS WHEREOF, the Stockholder has caused this Irrevocable Proxy to be duly executed as of the day and year first above written.

TL vENTURES III, L.P.

By: TL Ventures III Management L.P.,
its general partner
By: TL Ventures III LLC,
its general partner
By: /s/ MARK J. DEnINO

TL VENTURES III iNTERFUND, L.P.

By: TL Ventures III LLC,
its general partner
By: /s/ MARK J. DEnINO

TL VENTURES IV iNTERFUND, L.P.

By: TL Ventures IV LLC,
its general partner
By: /s/ MARK J. DEnINO

Stockholder Address:

TL Ventures
435 Devon Park Drive Bldg. 700
Wayne, PA
Attention: Mark J. DeNino
Fax: 484-582-1099

TL vENTURES III OFFSHORE, L.P.

By: TL Ventures III Offshore Partners, L.P.,
its general partner
By: TL Ventures III Offshore Ltd.,
its general partner
By: /s/ MARK J. DEnINO

TL VENTURES IV, L.P.

By: TL Ventures IV Management L.P.,
its general partner
By: TL Ventures IV LLC,
its general partner
By: /s/ MARK J. DEnINO

with a copy to:

Dechert LLP
2929 Arch Street
Philadelphia, PA 19104
Attention: Henry N. Nassau, Esq. and
John D. Larocca, Esq.
Fax: 215-994-2222

Shares Beneficially Owned:

NUMBER OF OUTSTANDING SHARES OF COMMON STOCK BENEFICIALLY OWNED BY STOCKHOLDER:	6,913,181
NUMBER OF SHARES SUBJECT TO COMPANY OPTIONS HELD BY STOCKHOLDER:	0
NUMBER OF SHARES SUBJECT TO COMPANY WARRANTS HELD BY STOCKHOLDER:	701,140

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November 5, 2006

The Board of Directors
Traffic.com, Inc.
851 Duportail Road
Wayne, PA 19087

Members of the Board of Directors:

We are pleased to confirm in writing the opinion provided orally to the Board of Directors of Traffic.com, Inc. (the *Company*) at its meeting held on November 5, 2006. We understand that the Company, NAVTEQ Corporation, a Delaware corporation (the *Parent*), NAVTEQ Holdings B.V., a corporation organized under the laws of The Netherlands and a wholly-owned subsidiary of Parent (the *BV Sub*), NAVTEQ Holdings Delaware, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of BV Sub (the *Merger Sub*) are entering into an Agreement and Plan of Merger (the *Agreement*) proposing to effect a business combination transaction as described in the Agreement (the *Merger*).

As further described in the Agreement, subject to the applicable provisions of Delaware law, at the effective time, the Company shall be merged with and into Merger Sub, the separate corporate existence of the Company shall thereupon cease, and Merger Sub shall continue as the surviving corporation of the Merger. We understand that the consideration per share of the Company's common stock to be paid, subject to allocation and pro ration, by the Parent, BV Sub and Merger Sub to the stockholders of the Company in the Merger shall consist, at the election of the holder thereof, of either: (i) \$8.00 in cash (the *Per Share Cash Consideration*) or (ii) 0.235 shares of the Parent's common stock, par value \$0.001 per share (the *Per Share Stock Consideration*). The aggregate cash consideration to be paid by Parent, BV Sub and Merger Sub to the shareholders of the Company in the Merger shall not exceed \$49 million (the *Cash Consideration Cap*) and the aggregate stock consideration to be paid by Parent, BV Sub and Merger Sub to the shareholders of the Company in the Merger shall not exceed 4.3 million shares of the Parent's common stock (the *Stock Consideration Cap*). If the Company's shareholders' stock elections or cash elections exceed the Cash Consideration Cap or the Stock Consideration Cap, respectively, then the excess of such elections will be subject to pro ration.

As you know, Allen & Company LLC (*Allen*) has been engaged by the Company to render certain financial advisory services. In this connection, pursuant to our March 22, 2006 engagement letter agreement (the *Engagement Letter*), you have asked us to render our opinion as to the fairness from a financial point of view to the holders of the Company's common stock of the consideration to be paid in connection with the Merger. Pursuant to the Engagement Letter, Allen will receive a fee for its services in connection with the Merger which is contingent upon the closing of the Merger. The Company has also agreed to reimburse Allen's expenses and indemnify Allen against certain liabilities arising out of such engagement.

Allen, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, private placements and related financings, bankruptcy reorganizations and similar recapitalizations, negotiated underwritings, secondary distributions of listed and unlisted securities, and valuations for corporate and other purposes. As of the date of this letter, Allen or its affiliates do not have a position in the common stock of the Company or the Parent. In addition, in the ordinary course of its business as a broker-dealer and market maker, Allen may have long or short positions, either on a discretionary or nondiscretionary basis, for its own account or for those of its clients, in the securities (or related derivative securities) of the Company or the Parent.

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Our opinion as expressed herein reflects and gives effect to our general familiarity with the Company and the Parent as well as information which we received during the course of this assignment, including information provided by senior managements of the Company and the Parent in the course of discussions relating to this engagement. In arriving at our opinion, we neither conducted a physical inspection of the properties and facilities of the Company or the Parent nor made or obtained any evaluations or appraisals of the assets or liabilities of the Company or the Parent, or conducted any analysis concerning the solvency of the Company.

In rendering our opinion, we have relied upon and assumed with your consent the accuracy and completeness of all of the financial, accounting, tax and other information that were available to us from public sources, that was provided to us by the Company or the Parent or their respective representatives, or that was otherwise reviewed by us. With respect to financial projections provided to us, we have assumed with your consent that they have been reasonably prepared in good faith reflecting the best currently available estimates and judgments of the managements of the Company or the Parent as to the future operating and financial performance of the Company or the Parent, respectively. We assume no responsibility for and express no view or opinion as to such forecasts or the assumptions on which they are based.

We have assumed that the Merger will be consummated in accordance with the terms and conditions set forth in the draft Agreement and the draft agreements ancillary thereto that we have reviewed.

Further, our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect the conclusion expressed in this opinion and that we assume no responsibility for advising any person of any change in any matter affecting this opinion or for updating or revising our opinion based on circumstances or events occurring after the date hereof.

In arriving at our opinion, we have among other things:

- (i) Reviewed and analyzed the terms and conditions of the Agreement and related documents (none of which prior to the delivery of this opinion has been executed by the parties)
- (ii) Analyzed the consideration being offered for the Company's outstanding shares pursuant to the terms of the Agreement
- (iii) Reviewed trends in the syndicated content, traditional advertising media, online content, automotive/road data service, image database and spatial software industries
- (iv) Reviewed and analyzed the business prospects and financial condition of the Company and the Parent
- (v) Reviewed the historical business information and financial results of the Company and the Parent
- (vi) Reviewed non-public business information and financial information of the Company and the Parent provided by the management of the Company and the Parent
- (vii) Reviewed the budgets and updated forecasts for fiscal year 2006 prepared by the managements of the Company and the Parent
- (viii) Reviewed projected results for fiscal years 2007-2009 prepared by the management of the Company
- (ix) Reviewed projected results for fiscal year 2007 prepared by the management of the Parent

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- (x) Reviewed information obtained from meetings with senior management of the Company and the Parent
- (xi) Reviewed and analyzed the daily trading statistics of, and the Wall Street research expectations for, the Company and the Parent's common stocks
- (xii) Reviewed and analyzed public financial information of publicly traded comparable companies in the syndicated content, traditional advertising media, online content, automotive/road data service, image database and spatial software industries
- (xiii) Reviewed and analyzed public financial information of transactions involving comparable companies in the syndicated content, traditional advertising supported media, online content and automotive / road data service industries
- (xiv) Analyzed premiums paid in comparably sized (i) cash, (ii) stock, and (iii) cash and stock transactions during the past four (4) years
- (xv) Analyzed the implied value of the Company based on (i) the multiples of publicly traded comparable companies, (ii) the premiums paid in comparably sized cash and stock transactions, (iii) the transaction multiples of comparable company M&A transactions and (iv) our discounted cash flow analyses
- (xvi) Conducted such other financial analyses and investigations as we deemed necessary or appropriate for the purposes of the opinion expressed herein

It is understood that this opinion is solely for the information of the Board of Directors of the Company and may not be used for any other purpose without our prior written consent.

This opinion does not constitute a recommendation as to what course of action the Board of Directors or any securityholder of the Company should pursue in connection with the Merger, or otherwise address the merits of the underlying decision by the Company to engage in the Merger. We express no opinion as to the price at which any share of capital stock of the Company will trade either before or after the Merger.

We do not express any opinion as to any tax or other consequences that might result from the Merger, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Company obtained such advice as it deemed necessary from qualified professionals. For the purposes of our opinion, we have assumed with your consent that all governmental, regulatory, or other consents necessary for the consummation of the Merger as contemplated by the Agreement will be obtained without any adverse effect on the Company.

Our opinion is limited to the fairness, from a financial point of view, as of the date hereof, of the consideration to be paid in connection with the Merger.

Based upon and subject to the foregoing, it is our opinion as of the date hereof that the Per Share Cash Consideration and the Per Share Stock Consideration to be paid in connection with the Merger are fair from a financial point of view to the holders of the Company's common stock.

Very truly yours,
ALLEN & COMPANY LLC
By:

JOHN H. JOSEPHSON
Managing Director

Annex C-2

November 5, 2006

Special Committee of the Board of Directors
Traffic.com, Inc.
851 Duportail Road, Suite 220
Wayne, PA 19087

Members of the Special Committee:

You have requested our opinion as to the fairness, from a financial point of view as of the date hereof, to the stockholders (other than the Enumerated Shareholders (as defined below) and any stockholder who demands and perfects appraisal rights) of Traffic.com, Inc. (the Company) of the Merger Consideration (as defined below) to be paid to such stockholders pursuant to the Agreement and Plan of Merger, dated as of November 5, 2006 (the Agreement), to be entered into by and among the Company, NAVTEQ Corporation (the Parent), NAVTEQ Holdings B.V. (B.V. Sub), a wholly-owned subsidiary of Parent, and NAVTEQ Holdings Delaware, Inc. (Merger Sub), a direct, wholly-owned subsidiary of the B.V. Sub. The Agreement provides for the merger (the Merger) of the Company with and into the Merger Sub pursuant to which, among other things, each issued and outstanding share of common stock, \$0.01 par value per share, of the Company (the Company Common Stock) will be converted into the right to receive, at the election of the holder thereof, (i) .235 shares of Parent Common Stock (the Per Share Stock Consideration) or (ii) cash in the amount of \$8.00, without interest (the Per Share Cash Consideration), subject to the election and allocation procedures set forth in the Agreement, the Cash Consideration Cap, the Stock Consideration Cap and the agreements to make Stock Elections set forth in the Agreement. The Per Share Cash Consideration and the Per Share Stock Consideration are each referred to herein as the Merger Consideration. The terms and conditions of the Merger are more fully set forth in the Agreement. Capitalized terms used in this opinion but not defined herein shall have the meanings ascribed to such terms in the Agreement.

In arriving at our opinion, we have: (i) reviewed the financial terms and conditions of a draft of the Agreement dated November 5, 2006; (ii) reviewed certain publicly available historical business and financial information relating to the Company and the Parent; (iii) reviewed various financial forecasts and other data provided to us by the Company and the Parent relating to their businesses, as well as various publicly available financial analyst forecasts with respect to the Company and the Parent; (iv) held discussions with members of the senior management of both the Company and the Parent with respect to the respective businesses and prospects of the Company and the Parent; (v) reviewed public information with respect to certain other companies in lines of businesses we believe to be generally comparable to the businesses of the Company and the Parent; (vi) reviewed the financial terms of certain business combinations involving companies in lines of businesses we believe to be generally comparable to that of the Company and the Parent; (vii) performed a discounted cash flow analysis of the Company on a standalone basis; (viii) reviewed the historical stock prices and trading volumes of the Company Common Stock and the Parent's common stock; and (ix) conducted such other studies, analyses and investigations and considered such other financial, economic, and market criteria as we deemed necessary or appropriate in arriving at our opinion.

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We have relied upon and assumed the accuracy and completeness of the financial, accounting and other information provided to us by the Company and the Parent or otherwise discussed with or reviewed by us and have not assumed any responsibility to verify independently such information. Each of the Company and the Parent has advised us that they do not publicly disclose internal financial information of the type provided to us and that such information was prepared for financial planning purposes and not with the expectation of public disclosure. We have further relied upon the assurances of the Company's and the Parent's respective management that the information provided has been prepared on a reasonable basis in accordance with industry practice, and that they are not aware of any information or facts that would make the information provided to us incomplete or misleading. Without limiting the generality of the foregoing, for the purpose of this opinion, we have assumed that neither the Company nor the Parent is a party to any material pending transaction, including any external financing, recapitalization, acquisition or merger, other than the Merger, and with respect to financial forecasts, pro forma adjustments, estimates of net operating loss tax benefits and other estimates and forward-looking information relating to the Company, the Parent and the Merger reviewed by us, we have assumed that such information reflects the best currently available estimates and judgments of the Company's and Parent's respective management. We express no opinion as to any financial forecasts, pro forma adjustments, net operating loss or other estimates or business outlook or forward-looking information of the Company or the Parent or the assumptions on which they were based. We have relied, with your consent, on advice of the outside counsel and the independent accountants to the Company and the Parent, and on the assumptions of the Company's management, as to all accounting, legal, tax and financial reporting matters with respect to the Company, the Parent and the Agreement, including, without limitation, the amount of the Merger Consideration.

We have also assumed, with your consent, that (i) the Agreement, when executed and delivered by the parties thereto, will conform to the draft reviewed by us in all respects material to our analysis, (ii) the Merger will be consummated pursuant to the terms of the Agreement without amendment thereto and without waiver by any party of any conditions or obligations thereunder, (iii) the Merger will be treated as a tax-free reorganization for federal income tax purposes and (iv) all the necessary regulatory or other approvals and consents required for the Merger will be obtained in a manner that will not adversely affect the Company, the Parent or the contemplated benefits of the Merger.

In arriving at our opinion, we have not performed any appraisals or valuations of any assets or liabilities (fixed, contingent or other) of the Company or the Parent, and have not been furnished with any such appraisals or valuations. We have made no physical inspection of the properties or facilities of either the Company or the Parent in connection with this opinion. The analyses we performed in connection with this opinion were going concern analyses. We express no opinion regarding the liquidation value of any entity, including the Company or the Parent. Without limiting the generality of the foregoing, we have undertaken no independent analysis of any pending or threatened litigation, governmental proceedings or investigations, regulatory action, possible unasserted claims or other contingent liabilities, to which the Company, the Parent or any of their respective affiliates is a party or may be subject and at your direction and with your consent, our opinion makes no assumption concerning, and therefore does not consider, the possible assertion of claims, outcomes, damages or recoveries arising out of any such matters. Further, for the avoidance of doubt, we express no opinion herein as to the long-term viability of the Parent following the Merger, including the potential for or timing of commercialization of any product or service, the nature and extent of the Parent's financing needs or the ability of the Parent to satisfy any such financing needs. No company or transaction used in any analysis for purposes of comparison is identical to the Company, the Parent or the Merger. Accordingly, an analysis of the results of the comparisons is not mathematical; rather, it involves complex considerations and judgments about differences in the companies and transactions to which the Company, the Parent and the Merger were compared and other factors that could affect the public trading value or transaction value of the companies.

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This opinion is necessarily based upon the information available to us and facts and circumstances as they exist and are subject to evaluation on the date hereof; events occurring after the date hereof could materially affect the assumptions used in preparing this opinion. We are not expressing any opinion herein (i) as to the price at which shares of Company Common Stock have traded or such stock may trade following announcement of the Merger or at any other future time or (ii) as to the price at which shares of common stock of the Parent may trade following the announcement or consummation of the Merger or at any other future time. We have not undertaken to reaffirm or revise this opinion or otherwise comment upon any events occurring after the date hereof and do not have any obligation to update, revise or reaffirm this opinion.

This opinion is directed to the Special Committee of the Board of Directors of the Company in connection with its consideration of the Merger and is not intended to be and does not constitute a recommendation to any stockholder of the Company as to how such stockholder should vote with respect to the Merger or whether a stockholder should elect stock or cash consideration. Except with respect to the use of this opinion in connection with any document that is required to be filed with the Securities and Exchange Commission and/or required to be mailed by the Company to its shareholders relating to the Merger in accordance with our engagement letter with the Company, this opinion shall not be published or otherwise used, nor shall any public references to us be made, without our prior written approval.

This opinion addresses solely the fairness as of the date hereof, from a financial point of view, to holders, other than the Enumerated Shareholders, of Company Common Stock of the proposed Merger Consideration set forth in the Agreement and does not address any other aspect or implication of the Merger or any other terms, agreements, arrangements or understandings entered into by the Company or any other person relating to the Merger or otherwise. We were not requested to opine as to, and this opinion does not address, the basic business decision to proceed with or effect the Merger or the merits of the Merger relative to any alternative transaction or business strategy that may be available to the Company. Further, we were not requested to, nor did we, solicit or assist the Company in soliciting indications of interest from third parties for all or any part of the Company or any alternative transaction. However, we understand that Allen & Co. solicited third parties about the potential sale of all or any part of the Company.

We received a fee upon our engagement by the Company to render an opinion to you, and we are entitled to be paid an additional fee, a portion of which is payable upon us having substantially completed the work that, in our determination, is appropriate to prepare us to render this opinion, regardless of the conclusion reached by us in this opinion, and a portion of which is payable upon, and contingent on, the consummation of the Merger. Additionally, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. In the ordinary course of business, we and/or our affiliated and related entities may actively trade securities of the Company and the Parent for our and/or their own account or effect transactions in such securities for the accounts of our customers and, accordingly, we and/or our affiliated and related entities may at any time hold a long or short position in such securities. In connection with our engagement by the Company, we agreed not to provide or agree to provide any services on behalf of the Company, an affiliate of the Company or the Parent until the consummation of the Merger, the termination of our engagement by the Company or February 28, 2007, whichever is earlier. Following the consummation of the Merger (or other relevant event), we may seek to provide investment banking services to the Company, the Parent, and their respective affiliates for which we may receive compensation. Also, one of our affiliates is a specialist on the American Stock Exchange in options on the Parent's common stock and another affiliate is a market maker on the NASDAQ National Market in the Company Common Stock. For purposes of our opinion, the term Enumerated Shareholders shall mean any current or former employee of the Company who may receive any payments of other benefits as a result of the Merger pursuant to any agreement other than the Agreement.

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Based upon and subject to the foregoing and based upon such other factors as we consider relevant, it is our opinion that, as of the date hereof, the Merger Consideration is fair, from a financial point of view, to the holders of Company Common Stock (other than the Enumerated Shareholders). In furnishing this opinion, we do not admit that we are experts within the meaning of the term "experts" as used in the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder, nor do we admit that this opinion constitutes a report or valuation within the meaning of Section 11 of the Securities Act.

Sincerely,

Susquehanna Financial Group, LLLP

SUSQUEHANNA FINANCIAL GROUP, LLLP

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Annex D

Section 262 of the Delaware General Corporation Law Concerning Appraisal Rights

§ 262. Appraisal rights.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of § 251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

- a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;
- b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;
- c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or
- d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

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(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228 or § 253 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or

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of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have

had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers

Section 145 of the DGCL provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, that are incurred in connection with various actions, suits or proceedings, whether civil, criminal, administrative or investigative other than an action by or in the right of the corporation, known as a derivative action, if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if they had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses, including attorneys' fees, incurred in connection with the defense or settlement of these actions, and the statute requires court approval before there can be any indemnification if the person seeking indemnification has been found liable to the corporation. The statute provides that it is not excluding other indemnification that may be granted by a corporation's bylaws, disinterested director vote, stockholder vote, agreement or otherwise.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for payments of unlawful dividends or unlawful stock repurchases or redemptions, or (iv) for any transaction from which the director derived an improper personal benefit.

NAVTEQ's certificate of incorporation and bylaws provide for indemnification of our directors and officers to the fullest extent permitted by law. Any repeal or modification of these provisions shall not adversely affect any right or protection of a director or officer for or with respect to any acts or omissions of that director or officer occurring prior to the amendment or repeal.

NAVTEQ has obtained and expect to maintain insurance policies under which our directors and officers are insured, within the limits and subject to the limitations of those policies, against certain expenses in connection with the defense of, and certain liabilities which might be imposed as a result of, actions, suits or proceedings to which they are parties by reason of being or having been directors or officers.

NAVTEQ has entered into indemnity agreements with our directors and officers providing the indemnification described above.

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Item 21. Exhibits and Financial Statement Schedules

(a)

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger by and among NAVTEQ Corporation, NAVTEQ Holdings B.V., NAVTEQ Holdings Delaware, Inc. and Traffic.com, Inc. dated as of November 5, 2006 (included as Annex A to the proxy statement/prospectus forming a part of this registration statement).
3.1	Amended and Restated Certificate of Incorporation. (1)
3.2	Amended and Restated Bylaws. (1)
4.1	Specimen Common Stock Certificate. (1)
5.1	Opinion of Pepper Hamilton LLP, regarding the legality of the securities being issued.
8.1	Opinion of Pepper Hamilton LLP, relating to tax matters.
8.2*	Opinion of Klehr, Harrison, Harvey, Branzburg & Ellers LLP, relating to tax matters.
10.1	Voting Agreement, dated as of November 5, 2006, by and among NAVTEQ Corporation and each of Robert N. Verratti, David L. Jannetta, The Jannetta Family Trust, Mark J. DeNino, and Christopher M. Rothey (included as Annex B-1 to the proxy statement/prospectus forming a part of this registration statement).
10.2	Voting Agreement, dated as of November 5, 2006, by and among NAVTEQ Corporation and each of TL Ventures III L.P., TL Ventures III Offshore L.P., TL Ventures III Interfund L.P., TL Ventures IV L.P. and TL Ventures IV Interfund L.P. (included as Annex B-2 to the proxy statement/prospectus forming a part of this registration statement).
21.1*	Subsidiaries of the Registrant.
23.2	Consent of KPMG LLP.
23.3	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
23.4	Consent of Pepper Hamilton LLP (included in Exhibits 5.1 and 8.1).
23.5*	Consent of Klehr, Harrison, Harvey, Branzburg & Ellers LLP (included in Exhibit 8.2).
24.1*	Power of Attorney (included in Part II of this Registration Statement).
99.1	Opinion of Allen & Company LLC (included as Annex C-1 to the proxy statement/prospectus included in this Registration Statement).
99.2	Opinion of Susquehanna Financial Group, LLLP (included as Annex C-2 to the proxy statement/prospectus included in this Registration Statement).
99.3*	Consent of Allen & Company LLC.
99.4*	Consent of Susquehanna Financial Group, LLLP.
99.5*	Form of Proxy Card of Traffic.com, Inc.

(1) Filed with NAVTEQ's Registration Statement on Form S-1 (Registration No. 333-114637), as amended, and incorporated herein by reference.

* Previously filed.

Item 22. Undertakings

(1) The undersigned registrant hereby undertakes to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the

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prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement.

Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) If the registrant is relying on Rule 430B:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that time an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(ii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is

part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(6) The registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of section 10(a)(3) of the Securities Act of 1933 (the Act), and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(8) Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions hereof, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(9) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(10) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois, on January 22, 2007.

Navteq CORPORATION

By: */s/ Judson C. Green*
 Judson C. Green
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this amendment to the registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<i>/s/ Judson C. Green</i> Judson C. Green	Director, President and Chief Executive Officer (Principal Executive Officer)	January 22, 2007
<i>/s/ David B. Mullen</i> David B. Mullen	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	January 22, 2007
<i>/s/ Neil T. Smith</i> Neil T. Smith	Vice President and Corporate Controller (Principal Accounting Officer)	January 22, 2007
*		
Christopher B. Galvin	Chairman of the Board	January 22, 2007
*		
Richard J.A. de Lange	Director	January 22, 2007
*		
Andrew J. Green	Director	January 22, 2007

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Signature	Title	Date
*		
Willam L. Kimsey	Director	January 22, 2007
*		
Scott D. Miller	Director	January 22, 2007
*		
Dirk-Jan van Ommeren	Director	January 22, 2007
By: /s/ Judson C. Green		January 22, 2007
Judson C. Green, as		
Attorney-in-Fact		
