

SCHEDULE OF EXCEPTIONS

In connection with that certain Series 5 Preferred Stock Purchase Agreement dated as of June 9, 2011, by and among AliphCom (the "**Company**") and the persons and entities listed on the Schedule of Purchasers attached thereto (the "**Agreement**"), the Company hereby delivers this Schedule of Exceptions to the Company's representations and warranties given in the Agreement. This Schedule of Exceptions and the information and disclosures contained herein are intended only to qualify and limit the representations, warranties and covenants of the Company contained in the Agreement, and shall not be deemed to expand in any way the scope or effect of any of such representations, warranties or covenants. The section numbers in this Schedule correspond to the section numbers in the Agreement; *provided, however*, that any information disclosed herein under any section number shall be deemed to be disclosed and incorporated in any other section of the Agreement where such disclosure would be appropriate and reasonably apparent. Disclosure of any information or document herein is not a statement or admission that it is material or required to be disclosed herein. References to any document do not purport to be complete and are qualified in their entirety by the document itself. Capitalized terms used but not defined herein shall have the same meanings given them in the Agreement.

3.2 Subsidiaries.

The Company has a wholly-owned subsidiary in the United Kingdom, Aliph Limited.

In anticipation of a future reincorporation to Delaware, the Company formed a wholly owned subsidiary in Delaware in 2008, Aliph, Inc., which has no assets.

The Company is in the process of establishing a Wholly-Foreign-Owned Entity ("WFOE") in Kunshan City, China, for the purpose of employing staff and conducting product development, manufacturing and operations support, sales and marketing activity in China. The Company expects the WFOE to be established in the third quarter of 2011.

On February 9, 2011, the Company acquired all of the outstanding membership units of YiqYaq LLC, a California limited liability company (the "**YiqYaq Acquisition**").

On February 9, 2011, the Company acquired all of the issued and outstanding shares of Togeru, Inc., a Delaware corporation (the "**Togeru Acquisition**").

3.3 Capitalization.

(a)

Due to the exercise of options or warrants outstanding as of the date of the Agreement during the period between the date of the Agreement and the date of the Initial Closing, the capitalization numbers set forth in Section 3.3 of the Agreement may not be accurate as of the date of the Initial Closing.

(c)

Pursuant to a certain letter agreement, dated as of August 29, 2007, by and between Kindred Partners, LLC (“*Kindred*”) and the Company (as amended from time to time, the “*Kindred Agreement*”), the Company has agreed to issue equity to Kindred or an affiliate of Kindred equal to 1/12th of the stock and/or stock options granted to certain persons hired by the Company that were sourced by Kindred.

See the disclosure in 3.20 below regarding the Acceleration Provisions (as defined below) and acceleration to non-employee directors and Board advisors.

As of June 3, 2011, the Company expects the Board will approve the following proposed option grants at its next meeting (following a third party appraisal of the value of the Company’s Common Stock):

Name of Proposed Option Grantee	Employee or Contractor	Type	# of Options	Vesting Commencement
				Date
Fass, Jason	Employee	ISO	20,000	04/18/11
Buck, Billie	Employee	ISO	10,000	01/31/11
Bosson, Lewis	Employee	ISO	25,000	04/18/11
Kavrell, Hannah	Employee	ISO	4,000	04/25/11
Allen, Erica	Employee	ISO	3,500	04/25/11
Kikuchi, Toshi	Employee	ISO	45,000	05/02/11
Nadar, Prakash	Employee	ISO	15,000	05/04/11
Hugo, Dan	Employee	ISO	25,000	05/09/11
Rhuberg, Adam	Employee	ISO	25,000	05/09/11
Duran, Melissa	Employee	ISO	5,000	05/09/11
Middleton, Christian	Employee	ISO	65,000	05/12/11
Callender, Robin	Employee	ISO	25,000	05/16/11
Wei, Ed	Employee	ISO	60,000	05/23/11
Ivie, Chad	Employee	ISO	20,000	05/23/11
Mena, Oscar	Employee	ISO	40,000	05/23/11
Gin, Shauna	Employee	ISO	5,000	05/23/11
Jordan, Stephen	Employee	ISO	15,000	5/25/2011
Baillie, Cameron	Employee	ISO	25,000	5/31/2011
Duncan, Charles	Employee	ISO	40,000	6/1/2011
Herr, Richard	Employee	ISO	15,000	6/1/2011
Harris, Laurie	Employee	ISO	15,000	6/1/2011

3.5 Litigation.

The Company is engaged in litigation involving Elizabeth Bastiaanse Hamren, the Company’s former Vice President of Product Management and Marketing. The Company is both pursuing

claims against Hamren, and defending against cross-claims she has asserted against the Company, as described below.

Aliph v. Hamren –

On June 26, 2009, the Company filed an action against Hamren for misappropriation of the Company's trade secrets, in the California Superior Court, County of San Francisco, Case No. CGC-09-489870 (the "**Trade Secrets Action**"). The Complaint alleges Hamren retained, without authorization, various types of Company trade secret information, including but not limited to valuable marketing information, and was in a position to improperly use such information in connection with her work for Plantronics, Inc., a direct competitor to the Company. The Trade Secrets Action contains claims for misappropriation of trade secrets, breach of contract, breach of the implied covenant of good faith and fair dealing, violation of California Penal Code section 502(c), and breach of fiduciary duty. On January 15, 2010, the Company filed a First Amended Complaint in the Trade Secrets Action, alleging the same claims listed above, and adding new allegations that Hamren used or disclosed the Company's trade secrets and/or confidential information in connection with her work for Plantronics as a consultant and subsequently as an employee. The First Amended Complaint requests an unspecified amount of damages, a constructive trust, injunctive relief and attorneys fees. Hamren filed an Answer to the First Amended Complaint, generally denying the allegations therein and asserting various defenses.

Hamren v. Aliph –

On September 18, 2009, Hamren filed a cross-complaint against the Company in the same Superior Court action as the Trade Secrets Action, alleging claims arising from her employment with the Company and termination of employment, which was effective December 31, 2008 (the "**Employment Action**"). The Cross-Complaint alleged causes of action for sex discrimination; hostile work environment sexual harassment; retaliation; breach of contract for failing to pay a bonus, failing to accelerate unvested stock option shares upon Hamren's employment termination, and terminating Hamren's employment to prevent her from further vesting in such option; and wrongful termination in violation of public policy. In response to the Company's demurrers to the Cross-Complaint and the Court's rulings thereon, Hamren filed a First Amended Cross-Complaint. The Court sustained without leave to amend the Company's demurrer to Hamren's wrongful termination claim in the First Amended Cross-Complaint. Hamren subsequently filed a Second Amended Cross-Complaint, after the Court had twice sustained (with leave to amend) the Company's demurrers to Hamren's sex harassment claim. The Court overruled the Company's demurrer to the sex harassment claim in the Second Amended Cross-Complaint. The Second Amended Cross-Complaint requests an unspecified amount of damages, vesting of certain unvested stock option shares, injunctive relief and attorneys fees. The Company filed an Answer to the Second Amended Cross-Complaint, generally denying the allegations therein and asserting various defenses.

The parties have engaged in paper discovery in the Trade Secrets and Employment Actions, and the Company has also issued document subpoenas to third-party Plantronics in the Trade Secrets Action as well as to three third-party marketing vendors of Plantronics. The parties have taken five depositions to date. The parties have scheduled a mediation for the Trade Secrets and Employment Actions for July 11, 2011, and discovery in both actions is currently on hold until

the mediation occurs. In light of the pending mediation and at the parties' request, the court continued the trial date to February 6, 2012.

Plantronics v. Aliph (trade secrets claim) –

The Company recently settled a trade secrets claim filed by Plantronics in 2009 (the "**Plantronics Settlement**"). Plantronics claimed that the Company had misappropriated trade secrets, including information relating to engineering development and manufacturing processes. The parties had engaged in substantial paper discovery, but no depositions had yet been taken and no substantive motions had been filed. The terms of the settlement are confidential.

Plantronics v. Aliph (patent infringement claim) –

In January 2009, Plantronics filed a patent infringement claim against the Company in the Eastern District of Texas. The single patent at issue claims an ear bud for headset stabilization in the ear. The case was transferred to the Northern District of California (*Plantronics v. Aliph*, Case No. 3:2009-CV-01843). In November 2009, the case was stayed pending reexamination of the patent. The patent recently issued from reexamination and the case began procedure in Spring 2011, commencing with claim construction procedure. The parties are engaging in paper discovery; depositions are expected to commence in July 2011. Claim construction is set for September 2011. Trial is set for Spring 2012.

Wi-LAN, Inc. v. Acer, Inc. -

In January 2010, Wi-LAN commenced a patent infringement action in the Eastern District of Texas against a number of defendants, including the company and its chip supplier CSR alleging infringement of certain patents held by Wi-LAN (*Wi-LAN, Inc. v. Acer, Inc.*, Case No. 10-CV-00124).

Subsequently Wi-LAN sent correspondence to the Company alleging that the Company's products infringed on the same patents. The Company filed a declaratory judgment action in the US District Court for the Northern District of California asserting the invalidity of the patents held by Wi-LAN (*Aliphcom v. Wi-LAN, Inc.*, Case No. CV-10-02337). The action filed by the Company was subsequently transferred to the Eastern District of Texas to be consolidated with the already pending action. The Company has entered into an indemnification agreement with Cambridge Silicon Radio ("**CSR**"), the manufacturer of bluetooth chips in the Company's products, with respect to this action (the "**CSR Indemnification Agreement**").

Wi-LAN has entered a settlement agreement with CSR. The settlement agreement terms extend to protect CSR's customers. All claims asserted by and against the Company have been dismissed.

Aliph v. MyTalk –

In January 2011, the Company filed a declaratory judgment action in the Northern District of California (*Aliphcom v. MyTalk*, Case No. C10-04918 EDL) relating to a third party's purported trademark rights with respect to the "MyTalk" mark. MyTalk answered the complaint in February 2011 asserting counterclaims including trademark infringement. In March 2011, the

parties mediated this matter but did not reach a settlement. The Company has served written discovery and document requests on the defendant. No other procedure beyond initial pleading has yet taken place. Further mediation is anticipated in Fall 2011.

3.7 Title to Properties; Liens and Encumbrances.

The Company has a capital lease with Bank of America Leasing of approximately \$220,000 for its Oracle ERP license entered into in 2008. As of June 2, 2011 the lease payable balance is less than \$21,421.

The Company entered into a loan agreement with Wells Fargo Bank NA on November 29, 2010 (the "Wells Fargo Loan Agreement") for a Standby Letter of Credit. The Standby Letter of Credit is secured by a money market account held by the Company.

In connection with the Wells Fargo Loan Agreement the Company entered into a Security Agreement with Wells Fargo Bank NA on November 29, 2010.

There are currently two outstanding California UCC financing statements, filed by Dell Financial Services L.L.C. and US Bancorp, which have been provided to counsel for the Purchasers.

Pursuant to the DCL Contract Services Agreement, dated as of August 5, 2009 with DisCopyLabs, Inc. (the "*DCL Contract*"), DisCopyLabs has a warehouse lien on any and all of the Company's property that is stored with DisCopyLabs for storage and other charges, costs and expense relating to such property.

3.8 Financial Statements.

The Financial Statements for 2008 and 2009 are currently being audited by Pricewaterhouse Coopers and are therefore in draft form and subject to change. The Company's 2010 financial statements have not been audited and are not entirely GAAP compliant. Final GAAP entries to the 2010 financials will be completed as part of the audit scheduled for the middle of 2011.

Modifications may be made to the Financial Statements as more data becomes available and further investigations are made. Although certain aspects of the Financial Statements are currently in draft form, to the best knowledge of the Company no future adjustments or modifications to the Financial Statements will materially adversely affect the financial position of the Company's business.

[3.9 Changes.]

3.11 Status of Proprietary Assets.

(a)

Reference is made to the disclosures in Section 3.11(b) of this Schedule of Exceptions.

(b)

The Company received letters alleging that the Company was infringing on the “MyTalk” mark, which led to the *Aliph v. MyTalk* action disclosed in Section 3.5 of this Schedule of Exceptions.

See the two *Plantronics v. Aliph* matters disclosed in Section 3.5 of this Schedule of Exceptions.

(c)

The following former employees, officers and/or consultants of the Company have not entered into proprietary information and inventions assignment agreements with the Company: Dinesh Raghavan, Christina Boyle, John McKenna, Dmitri Krakovsky, Andy Sims, James Russell, Edmund Moulton, Gerald Durand, Ginger Holt, James Carol, John Holzichler and Penny Yao. None of such former employees were involved in the creation of Proprietary Assets (other than with respect to copyrightable works of authorship developed within the scope and during the period of their employment with the Company). None of such former consultants were involved in the creation of Proprietary Assets.

Elizabeth Hamren did not enter into a proprietary information and inventions assignment agreement with the Company.

Five employees, Greg Burnett, Michael Luna, Richard Drysdale, John O’Brien and Rich Coulter, and one former employee, Gordon Simmons, have excluded prior inventions from their proprietary information and inventions assignment agreements with the Company. Such excluded prior inventions are not materially related to the Proprietary Assets, other than patents identified by Greg Burnett and in existence as of the entry by Burnett into his agreement in May 2003. However, none of Burnett’s excluded patents cover the Company’s commercial products or current technology.

Clayton Williamson, Remi Adams, Christopher Anderson, Derek Barrentine, Aditya Bhasin, Roderic Campbell, Jason Fass, Steve Forestieri, Scott Fullam, Travis Geiselbrecht, Laurie Harris, Joost Kemink, Bernard Kerr, Joel Krauska, Edmund Ku, Sam Lee, Christopher McKillop, Alex Mille, Skip Orvis, Wayne Ouchida, Loren Roy, Corey Tabaka, Anil Ubale and Chris Wiebe have excluded prior inventions from their proprietary information and inventions assignment agreements with the Company. Such excluded prior inventions are not incorporated in any of the Company’s current products or technology.

The Company entered into two consulting agreements, the first dated as of September 18, 2005, with Andrew Einaudi, and the second dated as of January 3, 2007, with Richard Drysdale (d/b/a Pronovus Consulting LLC). Neither of these agreements contain a provision whereby the consultant assigns intellectual property rights to the Company. Andrew Einaudi was not involved in the creation of any Propriety Assets, and Richard Drysdale later assigned any inventions to the Company in his proprietary information and inventions agreement. In addition, Pronovus Consulting LLC executed a confirmatory assignment, dated March 3, 2011, in favor of the Company.

(d)

The Company has the following issued patent and pending patent applications:

ISSUED PATENTS:

United States

Detecting Voiced and Unvoiced Speech Using Both Acoustic and Nonacoustic Sensors. Reference P009. Application Number: 10/159,770.

Acoustic Vibration Sensor. Reference P028.
Application Number : 10/769,302.

Fabric Case Carry Accessory For A Mobile Phone Device, Patent No. D609901

Fabric Pouch Carry Accessory For A Mobile Phone Device. Patent No. D610579

Hard Case Carry Accessory For A Mobile Phone Device, Patent No. D609900

Compact Hard Case Carry Accessory For A Mobile Phone Device, Patent No. D620247

Headset, Patent No. D632674

Headset, Patent No. D632675

Headset, Patent No. D632676

Earpiece Assembly, Reference D001.
Application Number: 29/299,133.

Earpiece. Reference D002.
Application Number: 29/299,134.

Earpiece Shield. Reference D003.
Application Number: 29/299,135.

Ear Loop. Reference D004.
Application Number: 29/299,139.

Back Plate with Fabric Pouch for a Mobile Phone Device. Reference 027673-002500US.
Application Number: 29/333,430.

China:

Earpiece Assembly. Reference D001CN. Application Number: 200830129807.0.

Earpiece. Reference D002CN. Application Number: 200830129806.6.

Earpiece Shield. Reference D003CN. Application Number: 200830129805.1.

Ear Loop. Reference D004CN. Application Number: 200830129808.5.

European Union

Earpiece Assembly. Reference D001EM. Application Number: 0009562300001.

Earpiece. Reference D002EM. Application Number: 0009562300002.

Earpiece Shield. Reference D003EM. Application Number: 0009562300003.

Earpiece Loop. Reference D004EM. Application Number: 0009562300004.

Jawbone II Headset Textured Design. Reference 027673-010601EU. Application Number: 1657990-0001.

India

Method and Apparatus for Removing Noise from Electronic Signals. Reference P011IN. Application Serial No. 0032/DELNP/03.

Detecting Voiced and Unvoiced Speech Using Both Acoustic and Nonacoustic Sensors. Reference P009IN. Application Serial Number: 1982/DELNP/03.

Taiwan

Voice Activity Detector (VAD) –Based Multiple-Microphone Acoustic Noise Suppression. Reference P010XTW. U.S. Application Number: 10/667,207.

Korea

Detecting Voiced and Unvoiced Speech using Both Acoustic and Nonacoustic Sensors. Reference P009KR. Application Number: 2003-7015511.

Method and Apparatus for Removing Noise From Electronic Signals. Reference P027KR. Application Number: 2004-7007752.

Japan

Earpiece Assembly. Reference D001JP. Application Number: 2008-15644.

Earpiece. Reference D002JP. Application Number: 2008-15645.

PATENT APPLICATIONS:

United States

Microphone Array with Rear Venting. Reference P034. Application Number: 12/163,952.

Microphone Array with Rear Venting. Reference P034D1. Application Number: 12/163,617.

Microphone Array with Rear Venting. Reference P034D2. Application Number: 12/163,647.

Microphone Array with Rear Venting. Reference P034D3. Application Number: 12/163,675.

Dual Omnidirectional Microphone Array (DOMA). Reference P035. Application Number: 12/139,333.

Dual Omnidirectional Microphone Array (DOMA). Reference P035D1. Application Number: 12/139,344.

Dual Omnidirectional Microphone Array (DOMA). Reference P035D2. Application Number: 12/139,355.

Dual Omnidirectional Microphone Array (DOMA). Reference P035D3. Application Number: 12/139,361.

Wireless Handsfree Headset Method and System with Handsfree Applications. Reference P037. Application Number: 12/039,718.

Acoustic Voice Activity Detection (AVAD) for Electronic Systems. Reference P039. Application Number: 12/606,140.

Acoustic Voice Activity Detection (AVAD) for Electronic Systems. Reference P039D1. Application Number: 12/606,146.

Vibration Sensor and Acoustic Voice Activity Detection System (VADS) for Use with Electronic Systems. Reference P040. Application Number: 12/772,947.

Wind Suppression/Replacement Component for Use with Electronic Systems. Reference P041. Application Number: 12/772,963.

Wind Suppression/Replacement Component for Use with Electronic Systems. Reference P041D1. Application Number: 12/772,975.

Calibrating a Dual Omnidirectional Microphone Array (DOMA). Reference P042. Application Number: 12/826,643.

Calibrated Dual Omnidirectional Microphone Array (DOMA). Reference P042D1. Application Number: 12/826,658.

Apparatus and Method for Using Speech Detection to Improve Operation of Voice Recognition User Interface. Reference 027673-001110US. Application Number: 12/649,170.

Headset and Audio Gateway System for Execution of Voice Input Driven Applications. Reference 027673-001600US. Application Number: 12/354,689.

Spatial User Interface for Audio System. Reference 027673-002110US. Application Number: 12/756,051.

Pipe Calibration of Omnidirectional Microphones. Reference P043P. Application Number: 61/316,269.

Wireless Conference Call Telephone. Reference P044P. Application Number: 61/364,675.

Calibration Headset Clamping System. Reference P045P. Application Number: 61/373,071.

Dynamic Enhancement of Audio (DAE) in Headset Systems. Reference P046P. Application Number: 61/431,395.

Improved Acoustic Voice Activity (AVAD) for Use with Electronic Systems. Reference P047P. Application Number: 61/431,397.

System and Method for Controlling Access to Network Services using Biometric Authentication. Reference 027673-016800US. Application Number: 61/355,958.

Bluetooth Pairing for Networked Devices. Reference 027673-016900US. Application Number: 61/358,610.

Headset. Application Number 29/354,212. (Design Patent Application).

Headset. Application Number 29/353,843. (Design Patent Application).

Headset. Application Number 29/353,844. (Design Patent Application).

Headset. Application Number 29/353,846. (Design Patent Application).

Headset. Application Number 29/353,847. (Design Patent Application).

Speaker. Application Number 29/378,325. (Design Patent Application).

Speaker. Application Number 29/378,327. (Design Patent Application).

Speaker. Application Number: 29/378,328. (Design Patent Application).

Speaker. Application Number: 29/378,329. (Design Patent Application)

Dongle. Application Number: 29/377,628. (Design Patent Application).

Headset. Application Number: 29/377,627. (Design Patent Application).

System and Method of Enabling Additional Functions or Services of Device by Use of Transparent Gateway or Proxy, Serial No. 12886919

Apparatus And Method For Using Speech Detection To Improve Operation Of Voice Recognition User Interface, Serial No. 12649170

Headset And Audio Gateway System For Execution Of Voice Input Driven Applications, Serial No. 12354689

Spatial User Interface For Audio System, Serial No. 12756051

Multi-Modal Audio System With Automatic Usage Mode Detection And Configuration Capability, Serial No. 12882482

System And Method For Controlling Access To Network Services Using Biometric Authentication, Serial No. 61355958

Acoustic Transducer Including Airfoil For Generating Sound, Serial No. 61392813

Antenna Optimization Dependent On User Context, Serial No. 61439742

Portion of an Electronic Device (Design Patent Application) Serial No. 29383495

Detecting Voice and Unvoiced Speech Using Both Acoustic and Nonacoustic Sensors. Reference P009C1. Application Number: 11/805,987.

Voice Activity Detector (VAD)-Based Multiple-Microphone Acoustic Noise Suppression. Reference P010X. Application Number: 10/667,207.

Microphone and Voice Activity Detection (VAD) Configurations for Use with Portable Communication Systems. Reference P020. Application Number: 10/400,282.

Acoustic Vibration Sensor. Reference P028. Application Number: 10/769,302.

Noise Suppressing Multi-Microphone Headset. Reference P030. Application Number: 11/199,856.

Advanced Speech Encoding Dual Microphone Configuration. Reference P032P. Application Number 60/931,637.

Canada:

Wireless Handsfree Headset Method and System with Handsfree Applications. Reference 027673-001600CA. International Application Number: PCT/US2009/031195.

Headset. Application Number: 136334. (Design Patent Application).

Headset. Application Number: 136330. (Design Patent Application).

Headset. Application Number: 136332. (Design Patent Application).

Headset. Application Number: 136333. (Design Patent Application).

Headset. Application Number: 136331. (Design Patent Application).

European Union:

Dual Omnidirectional Microphone Array. Reference P035P. Application Number 08771095.0.

Headset and Audio Gateway for Execution of Voice Input Driven Applications. Reference 027673-001600EP. Application Number 09701950.9.

Acoustic Voice Activity Detection (AVAD) for Electronic Systems. Reference P039WO. International Application Number: PCT/US2009/062129.

Calibrating a Dual Omnidirectional Microphone Array (DOMA). Reference P042WO. International Application Number: PCT/US2010/040501.

Spatial User Interface for Audio System. Reference 027673-002110PC. International Application Number: PCT/US2010/030421.

System and Method of Enabling Additional Functions or Services of Device by Use of Transparent Gateway or Proxy, Serial No. PCTUS2010049796

Wireless Handsfree Headset Method And System With Handsfree Applications, Serial No. PCTUS2009031195

Multi-Modal Audio System With Automatic Usage Mode Detection And Configuration Capability, Serial No. PCTUS2010049174

Headset (Various Design Patent Applications Covering Jawbone Headset Designs), Serial Nos. 0012267810001, 0012267810002, 0012267810003, 0012267810004, 0012267810005

China:

Dual Omnidirectional Microphone Array. Reference P035CN. Application Number 200880103073.6.

Microphone and Voice Activity Detection (VAD) Configurations for Use with Portable Communication Systems. Reference P020CN. International Application Number: PCT/US03/09280.

India:

Voice Activity Detection (VAD) Devices and Methods for Use with Noise Suppression Systems. Reference P015IN. Application Serial Number: 2426/DELNP/2004.

Microphone and Voice Activity Detection (VAD) Configurations for Use with Portable Communication Systems. Reference P020IN. Application Serial Number: 2605/DELNP/2004.

Dual Omnidirectional Microphone Array. Reference P035IN. Application Serial Number: 104/DELNP/2010.

Japan:

Method and Apparatus for Removing Noise from Electronic Signals. Reference P011JP. Application Number: 2002-512971.

Earpiece Shield. Application Number: 15646/2008. (Design Patent Application).

Ear Loop. Application Number: 15647/2008. (Design Patent Application).

Korea:

Voice Activity Detection (VAD) Devices and Methods for Use with Noise Suppression Systems. Reference P015KR. Application Number: 2004-7013890.

Voice Activity Detection (VAD) Devices and Methods for Use with Noise Suppression Systems. Reference P015KRD1. Application Number: 2010-7028265.

Microphone and Voice Activity Detection (VAD) Configurations for Use with Portable Communication Systems. Reference P020KR. Application Number 2004-7015441.

Microphone and Voice Activity Detection (VAD) Configurations for Use with Portable Communication Systems. Reference P020KRD1. International Application Number: PCT/US2003/009280.

Method and Apparatus for Removing Noise From Electronic Signals. Reference P027KR. International Application Number: PCT/US02/37399.

Hong Kong:

Dual Omnidirectional Microphone Array. Reference P035HK. Application Number: 10109116.8.

TRADEMARKS:

The Company has the following issued trade dress, trademarks and trademarks applications pending:

Country	Trademark	Classes	App No. Filing Date	Reg No. Issue Date	Status
Canada	EARCANDY	N/A	1435661 04/23/2009	TMA768172 05/31/2010	Registered
China	EARCANDY	9	7391552 05/13/2009	N/A	Pending - Published
European Union	EARCANDY	9	008242174 04/24/2009	008242174 11/22/2009	Registered
Hong Kong	EARCANDY	9	301331289 04/24/2009	N/A	Pending
Taiwan	EARCANDY	9	98017131 04/24/2009	01391805 01/01/2010	Registered
Canada	WINDASSASSIN	N/A	1433351 04/02/2009	N/A	Pending - Published

Country	Trademark	Classes	App No. Filing Date	Reg No. Issue Date	Status
China	WINDASSASSIN	9	7329735 04/16/2009	N/A	Pending - Published
European Union	WINDASSASSIN	9, 35, 42	008197519 04/03/2009	008197519 10/23/2009	Registered
Hong Kong	WINDASSASSIN	9	301320236 04/07/2009	301320236 04/07/2009	Registered
Taiwan	WINDASSASSIN	9	98014035 04/08/2009	01399873 03/16/2010	Registered
United States of America	WINDASSASSIN	9	77/723466 04/27/2009	N/A	Pending - Allowed
Canada	Museum Case Packaging Design (3-Dimensional)	N/A	1437730 05/11/2009	N/A	Pending
China	MUSEUM CASE PACKAGING Design (3-Dimensional)	9	7329734 04/16/2009	N/A	Pending
Hong Kong	MUSEUM CASE PACKAGING Design (3-Dimensional)	9	301322225 04/09/2009	N/A	Pending
United States of America	MUSEUM CASE PACKAGING Design (3-Dimensional)	9	77/693761 03/18/2009	3884763 12/07/2010	Registered
European Union	Museum Case Packaging (with JAWBONE)	9, 35, 42	8221855 04/16/2009	8221855 11/13/2009	Registered
Taiwan	Museum Case Packaging	9	99048317 09/29/2010	N/A	Pending - Awaiting examination
European Union	Museum Case Packaging Design (3-Dimensional)	9, 35, 42	008697484 11/19/2009	008697484 05/24/2010	Registered
Brazil	ALIPH	9	902500368 04/15/2010	N/A	Pending - Published
Canada	ALIPH	N/A	1434404 04/14/2009	TMA767816 05/26/2010	Registered
China	ALIPH	9	7329738 04/16/2009	N/A	Pending
European Union	ALIPH	9, 35, 42	005787321 03/26/2007	005787321 02/28/2008	Registered
Hong Kong	ALIPH	9	301320254 04/07/2009	301320254 04/07/2009	Registered
Taiwan	ALIPH	9	98014031 04/08/2009	01399870 03/16/2010	Registered
United States of America	ALIPH	9	78/344895 12/23/2003	3541713 12/02/2008	Registered

Country	Trademark	Classes	App No. Filing Date	Reg No. Issue Date	Status
Canada	ALIPH	N/A	1458658 11/10/2009	N/A	Pending
Brazil	EARWEAR	9	902500430 04/15/2010	N/A	Pending - Published
Canada	EARWEAR	N/A	1435298 04/21/2009	N/A	Pending
China	EARWEAR	9	7329737 04/16/2009	N/A	Pending
European Union	EARWEAR	9	006246731 09/07/2007	006246731 08/07/2008	Registered
Taiwan	EARWEAR	9	98014032 04/08/2009	01399871 03/16/2010	Registered
United States of America	EARWEAR (Supplemental)	9	77/268794 08/30/2007	3474244 07/22/2008	Registered
Hong Kong	ALIPH EARWEAR	9	301544120 02/11/2010	301544120 02/11/2010	Registered
Australia	JAWBONE	9, 42, 45	1398180 12/06/2010	N/A	Pending - Awaiting examination
Brazil	JAWBONE	9	902500627 04/15/2010	N/A	Pending - Published
Canada	JAWBONE	N/A	1434405 04/14/2009	TMA771142 07/05/2010	Registered
China	JAWBONE	9	5960563 03/26/2007	5960563 12/28/2009	Registered
European Union	JAWBONE	9, 35, 42	005787346 03/26/2007	005787346 03/13/2008	Registered
Hong Kong	JAWBONE	9	301320272 04/07/2009	N/A	Pending
Indonesia	JAWBONE	9	D00.2010.047587 12/29/2010	N/A	Pending
India	JAWBONE	9, 42, 45	2063429 12/06/2010	N/A	Pending
Japan	JAWBONE	9	2007-24017 03/20/2007	5195869 01/09/2009	Registered
Korea (South)	JAWBONE	9, 35, 42	45-2010-0004012 09/16/2010	N/A	Pending
Russian Federation	JAWBONE	9, 42, 45	2010739479 12/07/2010	N/A	Pending

Country	Trademark	Classes	App No. Filing Date	Reg No. Issue Date	Status
Taiwan	JAWBONE	9	98014034 04/08/2009	01399872 03/16/2010	Registered
United States of America	JAWBONE	9	78/340835 12/15/2003	3046856 01/17/2006	Registered
Vietnam	JAWBONE	9, 42, 45	4-2010-26938 12/21/2010	N/A	Pending
Canada	JAWBONE	N/A	1458657 11/10/2009	N/A	Pending - Accepted
Indonesia	JAWBONE	42	J00.2010.047581 12/29/2010	N/A	Pending
Indonesia	JAWBONE	45	J00.2010.047579 12/29/2010	N/A	Pending
Brazil	NOISEASSASSIN	9	902500627 04/15/2010	N/A	Pending - Published
Canada	NOISEASSASSIN	N/A	1435306 04/21/2009	TMA767590 05/21/2010	Registered
China	NOISEASSASSIN	9	7329736 04/16/2009	N/A	Pending - Published
European Union	NOISEASSASSIN	9, 35, 42	008221558 04/16/2009	008221558 12/10/2009	Registered
Hong Kong	NOISEASSASSIN	9	301320245 04/07/2009	301320245 04/07/2009	Registered
Taiwan	NOISEASSASSIN	9	98014036 04/08/2009	01399874 03/16/2010	Registered
United States of America	NOISEASSASSIN	9	77/459339 04/28/2008	3807619 06/22/2010	Registered
United States of America	NOISEASSASSIN	9	77/977808 04/28/2008	3694140 10/06/2009	Registered
European Union	Curved Design		8355323 06/10/2009	N/A	Pending
United States of America	Curved Design	9	77/752166 06/04/2009	N/A	Pending
Canada	Textured Design Trade Dress	N/A	1441073 06/10/2009	N/A	Pending
European Union	Textured Design Trade Dress		8355331 06/10/2009	N/A	Pending
United States of America	JAWBONE	9, 14	77/785787 07/21/2009	N/A	Pending

Country	Trademark	Classes	App No. Filing Date	Reg No. Issue Date	Status
United States of America	JAWBONE	35, 42	77/862971 11/02/2009	N/A	Pending
Canada	Jawbone II Headset Textured Design	N/A	1467689 01/29/2010	N/A	Pending
United States of America	Jawbone II Headset Textured Design	9	77/912073 01/14/2010	N/A	Pending
United States of America	JAWBONE KNOW	9, 35, 38, 42	77/933001 02/10/2010	N/A	Pending - Allowed
United States of America	The Jawbone Logo (MYTALK)	9, 42	85/008457 04/07/2010	N/A	Pending
China	AiLiFu in Chinese Characters	9	8375885 06/09/2010	N/A	Pending
Brazil	JAWBONE THOUGHTS	9	830742662 09/28/2010	N/A	Pending - Published
China	JAWBONE THOUGHTS	9	11/18/2010	N/A	Pending - Awaiting examination
European Union	JAWBONE THOUGHTS	9, 42, 43	009393752 09/22/2010	N/A	Registered
Hong Kong	JAWBONE THOUGHTS	9, 42, 45	301716570 09/16/2010	N/A	Pending - Published
Taiwan	JAWBONE THOUGHTS	9, 42, 45	99047069 09/21/2010	N/A	Pending - Awaiting examination
United States of America	JAWBONE THOUGHTS	9, 42, 45	85/042005 05/18/2010	N/A	Pending
Brazil	JAWBONE THOUGHTS	42	830742670 09/28/2010	N/A	Pending - Published
Canada	JAWBONE THOUGHTS	N/A	1501444 10/27/2010	N/A	Pending
China	JAWBONE THOUGHTS	42	11/18/2010	N/A	Pending - Awaiting examination
Brazil	JAWBONE THOUGHTS	45	830742689 09/28/2010	N/A	Pending - Published
China	JAWBONE THOUGHTS	45	11/18/2010	N/A	Pending - Awaiting examination
Hong Kong	JAWBONE WITH NOISEASSASSIN, ICON and THE ACE & Design	9	301644831 06/21/2010	N/A	Pending
United States of America	BE FIERCE. DETAILS, SELECT (The Rogue)	42	85/146224 10/06/2010	N/A	Pending

Country	Trademark	Classes	App No. Filing Date	Reg No. Issue Date	Status
United States of America	BE SMART. DETAILS SELECT (The Thinker)	42	85/146248 10/06/2010	N/A	Pending
United States of America	BE SEXY. DETAILS, SELECT (The Bombshell)	42	85/146265 10/06/2010	N/A	Pending
United States of America	BE SUPER. DETAILS, SELECT (The Hero)	42	85/146272 10/06/2010	N/A	Pending
United States of America	BE FOXY. DETAILS, SELECT (The Catch)	42	85/146290 10/06/2010	N/A	Pending
United States of America	BE FLIRTY. DETAILS, SELECT (The Catch)	42	85/146298 10/06/2010	N/A	Pending
Brazil	WEARABLE OS	9	830786783 11/22/2010	N/A	Pending - Published
Canada	WEARABLE OS	N/A	1503838 11/15/2010	N/A	Pending - Awaiting examination
China	WEARABLE OS	9	8868386 11/22/2010	N/A	Pending - Awaiting examination
European Union	WEARABLE OS	9	009524182 11/15/2010	N/A	Pending - Awaiting examination
Taiwan	WEARABLE OS	9	99057337 11/17/2010	N/A	Pending
United States of America	WEARABLE OS	9	85/177896 11/16/2010	N/A	Pending
Brazil	JAMBOX	9	830742654 09/28/2010	N/A	Pending - Published
Canada	JAMBOX	N/A	1496708 09/21/2010	N/A	Pending
China	JAMBOX	9	8824718 11/09/2010	N/A	Pending
European Union	JAMBOX	9	9392754 09/22/2010	N/A	Registered
Hong Kong	JAMBOX	9	301720610 09/22/2010	N/A	Pending - Awaiting examination
Taiwan	JAMBOX	9	99047289 09/23/2010	N/A	Pending - Awaiting examination
United States of America	JAMBOX	9	85/128357 09/13/2010	N/A	Pending
United States of America	THE NERD	9	85/154145 10/15/2010	N/A	Pending

Country	Trademark	Classes	App No. Filing Date	Reg No. Issue Date	Status
Australia	JAWBONE ERA	9, 42	1396450 11/22/2010	N/A	Pending
Brazil	JAWBONE ERA	9	830789162 11/24/2010	N/A	Pending - Published
Canada	JAWBONE ERA	N/A	1504676 11/19/2010	N/A	Pending - Awaiting examination
China	JAWBONE ERA	9	8892680 11/29/2010	N/A	Pending
European Union	JAWBONE ERA	9, 42	009573411 12/03/2010	N/A	Pending
Hong Kong	JAWBONE ERA	9, 42	301769590 11/22/2010	N/A	Pending - Awaiting examination
Taiwan	JAWBONE ERA	9, 42	99058375 11/23/2010	N/A	Pending - Awaiting examination
United States of America	JAWBONE ERA	9, 42	85/189346 12/02/2010	N/A	Pending
Brazil	JAWBONE ERA	42	830789154 11/24/2010	N/A	Pending - Awaiting examination
China	JAWBONE ERA	42	8892679 11/29/2010	N/A	Pending
United States of America	JB ERA	9, 42	85/189450 12/02/2010	N/A	Pending
Canada	JAWBONE JAMS	N/A	01/07/2011	N/A	Pending
United States of America	JAWBONE JAMS	9, 42, 45	85/213075 01/07/2011	N/A	Pending Next Due Date: Priority Filing Deadline 07/07/2011

3.12 Licenses; Other Agreements.

(a)

The Company has entered into a Distributorship Agreement, dated as of February 23, 2006, with Brightpoint North America L.P (the "**Brightpoint Agreement**").

The Company has entered into a Distribution Agreement (Nonexclusive), dated as of February 22, 2011, with TESSCO, Incorporated (the "**TESSCO Agreement**").

The Company has entered into a Master Services Agreement, dated as of August 6, 2007, with Foxlink International, Inc. (the "**Foxlink Agreement**").

The Company has entered into a Design Consulting Services Agreement, dated as of May 16, 2007, with Fuse Project, LLC, and Yves Behar Studio, LLC, as amended on November 29, 2007 (the “*Fuse Agreement*”).

The Company enters into employee confidentiality and inventions assignment agreements with its employees, the standard form of which has been provided to counsel to the Purchasers.

The Company entered into a new Sales Representative Agreement, dated as of September 1, 2009, with Nirala Partners Ltd (significant shareholder of Aliphcom) for certain developing countries (the “*Nirala Sales Representative Agreement*”).

The Company entered into a Sales Representative Agreement, dated as of December 13, 2010, with Griffin International Companies, Inc. (the “*Griffin Agreement*”).

The Company entered into a Sales Representative Agreement, dated as of January 1, 2011, with Bhavesh Dattani (update and renewal of prior contract). (the “*Dattani Agreement*”).

The Company entered into a Sales Representative Agreement, dated as of July 15, 2009, with Business Development Services SARL, which was cancelled in late 2010 (the “*Business Development Services Agreement*”).

The Company entered into an Apple Third Party Product Reseller Agreement on August 1, 2008, with Apple Inc. (the “*Apple Agreement*”).

The Company entered into an OEM-In Hardware with Firmware agreement, dated as of August 10, 2010 with Cisco Systems (the “*Cisco Agreement*”).

The Company entered into a Hosted Reseller Agreement, dated as of March 13, 2009 with DR globalTech, Inc., as amended by that Amendment No. 1 to DR globalTech Hosted Reseller Agreement (the “*Digital River Agreement*”).

See the DCL Agreement.

Reference is made to the Terms and Conditions of the Amazon 2010 Reseller program (the “*Amazon Terms and Conditions*”).

The Company entered into a Membership and License Agreement, dated as of May 23, 2011 with RPX Corporation (the “*RPX Agreement*”).

The Company has entered into a License Agreement, dated as of May 4, 2011, with The Trustees of Princeton University (the “*Princeton Agreement*”).

The Company has entered into a Memorandum of Understanding, dated as of March 22, 2011, with Sound Matters Inc. (the “*Soundmatters MOU*”).

(b)

See Foxlink Agreement.

The Company has entered into a Manufacturing Agreement, dated as of April 7, 2008, with Cheng Uei Precision Industry Co., Ltd. (the “*Foxlink Manufacturing Agreement*”)

The Company has entered into a Manufacturing Agreement, dated as of January 29, 2009, with Superior Communications, Inc. (the “*Superior Manufacturing Agreement*”)

The Company has entered into a Distributor Agreement, dated as of March 23, 2010, with Superior Communications, Inc. (the “*Superior Distributor Agreement*”).

The Company has entered into a Co-marketing and License Agreement, dated as of September 23, 2005, with Skype Communications, S.A. (the “*Skype Agreement*”).

The Company has entered into a Royalty Agreement, dated as of January 7, 2011, with Freebit to license an earbud design to be used on Aliph headsets and other products (the “*Freebit Agreement*”).

The Company enters into standard confidentiality and non-disclosure agreements in the ordinary course of business that are not the Company’s standard form of agreement.

OEM Agreement between the Company and Fullpower Technologies, Inc. dated as of October 5, 2009.

The Company has entered into an Oracle License and Services Agreement, dated as of September 29, 2008, as amended by Amendment One to the Oracle License and Services Agreement dated September 29, 2008 (the “*Oracle License*”).

See the Apple Agreement.

See the Cisco Agreement.

See the TESSCO Agreement.

The Company has, in the ordinary course of business, agreed to indemnify certain of its distributors for damages arising out of claims that Aliph’s intellectual property infringes on a third party’s intellectual property.

See the Fuse Agreement.

See the Griffin Agreement.

See the Digital River Agreement.

See the DCL Agreement.

See the Amazon Terms and Conditions.

Letter Agreement, dated as of March 22, 2006, with Circuit City Stores, Inc (the "*Circuit City Agreement*")

The Company has entered into a Costco Wholesale Basic Vendor Agreement, dated as of September 28, 2009, with Costco Wholesale Canada Ltd (the "*Costco Canada Agreement*").

The Company has entered into a Costco Wholesale Basic Vendor Agreement, dated as of July 15, 2009, with Costco Wholesale Corporation (the "*Costco U.S. Agreement*").

The Company entered into a Services and Consulting Agreement, dated as of May 4, 2011 with Edgar Choueiri (the "*Choueiri Agreement*").

See the Princeton Agreement.

3.15 Employees and Independent Contractors.

(a)

Reference is made to the Plans.

The Company has established a 401(k) Plan pursuant to the Nonstandardized Prototype Profit Sharing/401(k) Plan Adoption Agreement.

The Company enters into offer letters with its employees in the ordinary course of business, the standard form of which has been provided to counsel to the Purchasers.

The Company acts as guarantor for Imogen Griffiths in connection with that certain Residential Rental Agreement by and among the Company, Trinity Management Services and Imogen Griffiths dated as of July 6, 2010 (the "*Trinity Management Agreement*").

See the disclosure in 3.20 below regarding the Acceleration Provisions (as defined below) and acceleration to non-employee directors and Board advisors.

3.16 Agreements; Action.

(a)

Hosain Rahman, an officer and director of the Company, issued a Recourse Promissory Note on September 17, 2007, to the Company in the principal amount of \$179,940.24 (as amended from time to time, the "*Rahman Note*"). Currently the maturity date of the Rahman Note is September 17, 2011.

The Company enters into indemnification agreements with each of its directors. In addition, the Company enters into advisory agreements with each of its advisors to the Company's Board of Directors.

(b)

The Company entered into a Production Share agreement for Mexico, dated as of June 9, 2010 with North American Production Sharing, Inc.

See the Cisco Agreement.

The Company entered into an OEM agreement with Full Power, dated as of October 5, 2009, which includes large dollar amount annual exclusivity and royalty payments.

Reference is made to the Griffin Agreement, Dattani Agreement and Business Development Services Agreement.

The Company entered into a significant number of distribution agreements in 2009, 2010 and 2011 in North America, Latin America, Europe, Middle East and Asia regions.

The Company entered into a Real Property Sublease Agreement for the Sunnyvale product development location, dated as of December 22, 2008, as amended by that certain First Amendment, Second Amendment dated as of September 27, 2010, and Third Lease Amendment dated April 28, 2011.

The Company entered into a Real Property Lease Agreement for office space on the 3rd floor of 99 Rhode Island, which was superseded by a new lease for all three floors of 99 Rhode Island, by and between the Company and Oelsner Commercial Properties, LP, dated as of November 22, 2010 (the “*99 Rhode Island Lease*”) The Company entered into three-year sublease for the second floor with Air BnB in March 2011 (the “*Air BnB Sublease*”). Sequoia Capital, one of the Company’s shareholders, is a major investor of Air BnB.

See the Freebit Agreement

See the Superior Manufacturing Agreement.

See the Foxlink Manufacturing Agreement.

The Company entered into a Subscription Terms and Conditions Agreement for its ERP system, dated as of May 28, 2010, with NetSuite, Inc. and The Danville Group.

Reference is made to the Wells Fargo Loan Agreement.

The Company entered into Stock Purchase Agreements in February of 2011 to purchase the capital stock of Togeru, Inc.

The Company entered into Unit Purchase Agreements, each dated as of February 9, 2011, to purchase the outstanding membership units of YiqYaq LLC.

See the Soundmatters MOU.

The Company is currently negotiating a product development and royalty agreement with Full Power.

See the Fuse Agreement.

See the Foxlink Agreement.

The Company has entered into a Letter of Intent, dated as of March 22, 2007, with Fuse Project, LLC.

See the TESSCO Agreement.

The Company has entered into a Services Agreement, dated October 31, 2007, with WarmingTrend PR LLC.

See the Circuit City Agreement

The Company may enter into a contract manufacturing agreement with i.Tech.

See the Skype Agreement.

See the Superior Distributor Agreement.

The Company has entered into a Master Services Agreement, dated as of October 11, 2007, with Info Partners, Inc.

The Company has entered into a letter agreement, dated as of October 4, 2007, with Lefeber & Associates.

The Company has entered into a letter agreement, dated as of November 2, 2007, with Frank, Rimerman & Co. LLP.

The Company has entered into a Master Services Agreement, dated November 26, 2007, with BDS Marketing, Inc.

See the Renovata Agreement.

See the Kindred Agreement.

See the Oracle License.

See the Digital River Agreement.

See the DCL Agreement.

See the Amazon Terms and Conditions.

The Company has entered into a Service Support Agreement, dated as of November 29, 2009, with Headsets.com.

See the Costco Canada Agreement.

See the Costco U.S. Agreement.

The Company has entered into a Memorandum of Understanding , dated as of February 3, 2011, with Deutsche Telekom AG.

The Company has entered into a Marketing Agreement, dated as of May 27, 2011 with Deutsche Telekom AG.

The Company has entered into a Distributor Agreement with STRAX GmbH, dated as of May 31, 2011.

See the Princeton Agreement.

See the Choueiri Agreement.

The Company has entered into an Agreement with First Call Resolution, dated as of May 24, 2011.

The Company has entered into a Master Services Agreement for Contract Center Services with Grupo Telvista, S.A. de C.V., dated as of March 16, 2011.

The Company has entered into a Software and Evaluation Board Evaluation Agreement with Cirrus Logic, Inc., dated as of March 9, 2011.

The Company has entered into a Non-Exclusive Distributor Agreement with The Music People, Inc., dated as of May 12, 2011.

The Company has entered into a Distributor Agreement with Dugotech Co., LTD, dated as of May 23, 2011.

The Company has entered into a Distributor Agreement with The Douglas Stewart Company, Inc., dated as of March 8, 2011.

The Company has entered into a Non Exclusive Distributor Agreement with Almo Corporation, dated as of March 9, 2011.

The Company regularly enters into Distributor and Distribution Agreements or Purchase Agreements that may result in receivables or payment obligations in excess of \$250,000.

The Company intends to enter into approximately three or four distribution agreements within the next couple of weeks each of which may result in receivables or payment obligations in excess of \$250,000.

The Company has the following additional material payment obligations as of May 31, 2010, that involve payments of \$250,000 or greater, or in excess of \$500,000 in the aggregate:

**Aliphcom liabilities greater than
\$250,000 at 5/31/11**

Vendor Name	Total Balance	Comment
Foxlink International Inc.	\$5,857,571.42	60 and 80 day payment term for primary inventory supplier
Quinn Emanuel Urquhart Oliver & Hedges	\$608,606.23	law firm representing Aliphcom on Plantronics case
Fuse Project LLC	\$274,386.85	industrial design and engineering firm
Schenker Inc.	\$258,674.33	Primary freight forwarder for transporting inventory

See the Plantronics Settlement.

The Company paid, on behalf of certain employees, tax amounts due for such employees in connection with the Company's amendment of its tax filings for the 2005/2006 tax year. The Company is attempting to collect such amounts from the applicable employees. As of May 31, 2011, the approximate amount owed to the Company was \$21,000 (the "*Tax Loans*").

See the Rahman Note.

The Company enters into non-disclosure agreements in the ordinary course of business. The Company's form of non-disclosure agreement has been provided to counsel to the Purchasers.

(c)

See the Rahman Note.

See the Tax Loans.

(e)

See the Trinity Management Agreement.

3.17 Related Party Transactions.

See 3.16(a).

See disclosure re 99 Rhode Island Lease and Air BnB Sublease.

See the Nirala Sales Representative Agreement.

Alex Asseily, a founder, director and a shareholder of the Company and the Company's Chairman and Managing Director of Europe, is related as to both George Asseily (father) and Tony Asseily (uncle), both of whom are officers and equity holders of Howard Rhodes, Ltd. In addition, both George Asseily and Tony Asseily are affiliated with Meribel, Multitrading International Ltd. and Getraco, entities the Company currently does business with or has done business with in the past.

A stockholder has a direct ownership interest in Renovata Partners Ltd, which is a contracting party with the Company under that certain Engagement Letter agreement, dated October 4, 2007 (the "*Renovata Agreement*").

A stockholder has a direct ownership interest in Fuse Project, LLC, and Yves Behar Studio, LLC, and, thus, has an interest in the Fuse Agreement.

3.18 Tax Matters.

The Company received a letter from the California State Board of Equalization, dated November 27, 2007, requesting a sales and use tax audit for the period from October 12, 2004 through September 30, 2007. This audit was completed in July of 2009 and the matter was closed.

On March 1, 2010 the Company received a notice from the IRS requiring that the Company schedule an audit of Aliphcom's 2008 and 2009 tax returns. As of June 2, 2011, the audit is still in progress and the Company is awaiting further instructions from the IRS auditor.

In January of 2011, the State of New Jersey filed a levy of \$58,685 against the Company's bank account for amounts that the NJ Division of Taxation claims are owed for past due sales tax remittances. The levy was removed in April 2011 and a Warrant of Satisfaction for the judgment has been issued (the Company is awaiting a copy).

3.19 Insurance.

See the attached Annex 3.19.

Annex 3.19

Insurance

<u>Policy description</u>	<u>Policy Number</u>	<u>Underwriter</u>	<u>Dollar Coverage</u>	<u>Policy Effective Dates</u>
Directors & Officers/Employ Practices Liab	00KB0244950-09	Hartford/Twin City Fire	\$5M D&O, \$2M EPL	8/15/10 - 8/15/11
Excess Directors & Officers Liab	DO3S-837390-002	Liberty	\$5M excess on D&O	8/15/10 - 8/15/11
Calif Workers Compensation	HKUB-3864M87-1-10	Travelers Indemnity Co		6/6/10 - 6/6/11
Out of State Workers' Compensation	HKUB-3864M87-1-10	Travelers Indemnity Co		6/6/10 - 6/6/11
Commercial General Liability	H-630-4009R039-TIL-10	Travelers Property Casualty	\$2M aggregate, \$1M occurrence	7/1/10 - 6/6/11
Umbrella Liability	HSM-CUP-4009R039-TIL-10	Travelers Property Casualty	\$20M aggregate, \$20M occurrence	7/1/10 - 6/6/11
Commercial Auto	H-630-4009R039-TIL-10	Travelers Property Casualty	under commercial and umbrella liab	7/1/10 - 6/6/11
Cargo	MC-2409	Falvey		7/1/10 - 6/6/11
Foreign Commercial Liability	H-630-4009R039-TIL-10	Travelers Property Casualty	under commercial and umbrella liab	7/1/10 - 6/6/11
Kidnap & Ransom	8222-4052	Federal Insurance Co	\$3M limit	7/13/10 - 6/6/11
Building Coverage	H-630-4009R039-TIL-10	Travelers Property Casualty	under commercial and umbrella liab	
Difference in Conditions - SF building	DC260030	Colony Insurance Co	Earthquake policy up to \$10M coverage	12/6/10 - 12/6/11
Difference in Conditions - excess coverage SF bldg	LHQ416828	Landmark American Insurance	Earthquake policy excess of \$5M coverage	12/6/10 - 12/6/11
Trade Receivables Insurance	N06524837	ACE American Insurance Co	Up to \$8.5M	1/1/11 - 12/31/11

3.20 Labor Matters.

The Company's Board of Directors has approved "double-trigger" acceleration of any unvested stock options upon involuntary termination without Cause or resignation for Good Reason within three (3) months prior to or within twelve (12) months following an acquisition or asset transfer, (as defined in Exhibit C of the December 3, 2007 minutes of a meeting of the Company's Board of Directors), for the following current employees of the Company (the "***Acceleration Provisions***"): Alex Asseily, Travis Bogard, Raul Corella, Richard Drysdale, Robert Levine, Sean Ludick, Chris McKillop, Hosain Rahman, Jeremiah Robison, Scott Shillington and Michael Tamaru.

The Board has also approved full acceleration upon a Change in Control of the Company (as defined in the Plans) for non-employee directors and Board advisors.

3.21 Corporate Documents.

The Company's board minutes from its December 9, 2010, February 3, 2011, February 12, 2011 and April 12, 2011 meetings are still in draft form and have not been approved and ratified by the Board of Directors.