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# **ASSET PURCHASE AGREEMENT**

**Between**

**ALPHACIPHER ACQUISITION CORPORATION**

**(a Washington corporation)**

**as “Buyer”**

**and**

**VADIUM TECHNOLOGY, INC.**

**(a Washington corporation)**

**as “Seller”**

**May 10, 2012**

## **ASSET PURCHASE AGREEMENT**

**THIS ASSET PURCHASE AGREEMENT**, (“Agreement”) made as of May 10, 2012, between AlphaCipher Acquisition Corporation, a Washington corporation, having its principal place of business at 401 Second Avenue South, Suite 500, Seattle, WA 98104 ("Buyer"), and Vadium Technology, Inc., a Washington corporation, having its principal place of business at PMB 4568 Seattle, WA 98194 ("Seller").

### **WITNESSETH**

**WHEREAS**, Seller is engaged in the business of developing, marketing and selling encryption software products based on the One-Time Pad cipher enabled AlphaCipher Technology Platform, (including, without limitation, its product(s) known as “AlphaCipher”) and owns, leases or licenses all of the properties and assets relating to that business, which assets are listed on Exhibit 1(a) hereto (collectively, the “Acquired Assets”);

**WHEREAS**, Seller and Buyer, along with Belhara Security Solutions, Inc. (“Belhara”) executed a Letter of Intent (“LOI”) dated December 29, 2011, whereby Seller would sell, and Buyer would purchase the Acquired Assets under terms and conditions to be negotiated by the parties. Belhara is the financier of Buyer and prior to the completion of the purchase of the Acquired Assets contemplated here with acquire a majority ownership position in Buyer. To date Belhara has provided Buyer with over US\$3.25 million in financing, of which Buyer has used US\$2,931,325 as an initial payment on the purchase price for the Acquired Assets;

**WHEREAS**, Seller wishes to sell to Buyer and Buyer wishes to purchase the Acquired Assets from Seller;

**WHEREAS**, Seller wishes to have Buyer assume and Buyer is agreeable to assuming certain of Seller's liabilities;

**NOW, THEREFORE**, in consideration of the premises and mutual agreements hereinafter set forth, the parties agree as follows:

**1. Sale and Purchase:**

(a) Acquired Assets. In accordance with the terms and conditions of this Agreement, Seller shall sell, transfer, convey and assign to Buyer and Buyer shall purchase, acquire and accept on the Closing Date, as hereinafter set forth, all of Seller's right, title and interest in and to the Acquired Assets, free and clear of all Encumbrances (as defined below). For convenience, the business conducted by Seller with respect to the Acquired Assets is sometimes referred to as the "Acquired Business."

(b) Assumed Liabilities. Subject to the terms and conditions of this Agreement, Seller shall transfer, convey and assign to Buyer and Buyer shall assume and accept on the Closing Date all of Seller's liabilities set forth in Exhibit 1(b) hereto (the "Assumed Liabilities".)

(c) Excluded Liabilities. Except for the Assumed Liabilities, Seller is not selling or transferring and Buyer is not acquiring or assuming any liability, whether disclosed, undisclosed, contingent, or otherwise, including, without limitation, any of the following liabilities: (i) any liability for Seller's Taxes, as such term is defined in Section 3(e) hereof; (ii) any obligations or liabilities arising out of or resulting from or relating to the employment dealings, policies, practices, benefits, arrangements and plans of Seller (including, without limitation, severance/termination pay policies, and employee benefit plans) with respect to periods ending on or prior to the Closing Date; (iii) any obligation or liability (contingent or otherwise) relating to the Acquired Assets or Acquired Business in respect of any matter or events occurring on or prior to the Closing Date; and (iv) any liability or obligation relating to indebtedness for borrowed money of Seller, including, without limitation, bank debt, lines of credit and notes payable.

**2. Purchase Price:**

(a) Purchase Price. Subject to the other terms and conditions of this Agreement, the consideration for the Acquired Assets to be paid by Buyer to Seller as follows:

- i) On or before Closing Buyer shall pay directly to Seller's creditors cash payments totaling up to a maximum of Twelve Million Five Hundred Thousand United States Dollars, (\$12,500,000), ("Maximum Cash Payment") in such amount as identified in the Disclosure Schedule Exhibit 3.) At the execution of this Agreement the Disclosure Schedule shows the necessary total cash payment to close the transaction and effect transfer the Acquired Assets free and clear of all liens and encumbrances to the Buyer equals approximately Eleven Million Two Hundred Ninety Three Thousand Three Hundred Ninety Seven United States Dollars (US\$11,293,397) ("Required Cash Payment.") It is anticipated that the total cash payments from Exhibit 3 will increase before closing due to interest, penalty and other charges that accrue to the outstanding liabilities, and Buyer shall pay such increase up to the Amount of the Maximum Cash Payment. At Closing the Disclosure Schedule attached hereto shall be amended and restated to reflect the final Required Cash Payment adjusted for the changes contemplated herein. To the extent that there is difference between the Maximum Cash Payments and the Required Cash Payments, such difference shall be retained by the Buyer. It is understood by the parties that the maximum cash payment the Buyer will make is the Maximum Cash Payment; and
  
- ii) 10,477,500 Common Shares of Buyer.

(b) Allocation of Purchase Price for Tax Purposes. For tax purposes, the purchase price shall be allocated in accordance with Exhibit 2, and the parties hereby agree to use this allocation for all tax reporting purposes.

**3. Representations and Warranties of Seller:**

Except as set forth in the disclosure schedule attached hereto (the “Disclosure Schedule”), Seller hereby represents and warrants to Buyer that:

(a) Seller Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington, has corporate power and authority to own its assets and to carry on its business as presently conducted, and is duly qualified to do business and in good standing as a foreign corporation in all jurisdictions in which such qualification is reasonably necessary except where lack of such qualification would not have a material adverse effect on the Acquired Business of Seller. Seller is not conducting its business in violation of any applicable law (including any environmental law or law applicable to employees), except for such violations that would not have a material adverse effect on the Acquired Business of Seller.

(b) Organizational and Other Documents. Copies of the Seller’s Articles of Incorporation and By-Laws as in effect as of the date hereof have been, and as they will be in effect on the closing Date will be, delivered to Buyer by Seller. Said copies are and will be true, accurate and complete. Except as set forth in the Disclosure Schedule, Seller has no subsidiaries and no ownership in any partnership, joint venture or other business entity.

(c) Seller Corporate Authority and Power. Except as disclosed in the Disclosure Schedule, no consent, approval, or authorization of or declaration or filing with any individual, corporation, partnership, trust or unincorporated organization or any government or any agency or political subdivision thereof is required for the valid execution, delivery and performance by Seller of this Agreement and/or the documents and agreements required hereby and the

consummation of the transactions contemplated hereby and thereby. Upon obtaining the approval of Seller's shareholders, the execution and delivery of this Agreement by Seller will have been duly and validly authorized, and all requisite action will have been taken to make it valid and binding upon Seller in accordance with its terms. Except as set forth in the Disclosure Schedule, neither the execution of this Agreement nor the consummation on the Closing Date of the transactions contemplated by this Agreement will (i) conflict with or result in the breach of any term or provision of the Certificate of Incorporation or By-Laws of Seller; (ii) result in the breach of any term or provision of, or constitute a default or give rise to any right of termination, cancellation or acceleration under, any loan agreement, note, bond, mortgage, indenture, financing agreement, license, lease, or any other agreement or obligation or instrument or law, regulation, order or decree of any kind to which Seller is a party or is bound; or (iii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Seller or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Seller.

(d) Seller Stockholder Approval. If required by law, the Seller and its officers and directors shall (a) cause a meeting of the Seller's stockholders to be duly called and held as soon as practical for the purpose of voting on this Agreement and (b) subject to the fiduciary duties of the Seller's board of directors, (1) recommend approval and adoption of this Agreement to the Seller's stockholders and (2) use their best efforts to obtain the necessary approval and adoption of this Agreement by the Seller's stockholders.

(e) Financial Statements. Seller has furnished Buyer with (i) a management prepared unaudited balance sheets of Seller dated as of December 31, 2011 and 2010 and related statements of operations for the fiscal years then ended; and prior to Closing (ii) a management prepared unaudited balance sheet of Seller as of the previous month prior to Closing and related statements of operations for the period from the end of the preceding fiscal year to the end of the previous month prior to Closing (The foregoing financial statements are attached hereto as Schedule 3(d) to the Disclosure Schedule, are incorporated herein by reference, and are referred to hereinafter in this Agreement as the "Financial Statements"). Except as disclosed in the

Disclosure Schedule, the Financial Statements, to the best of Seller's belief and knowledge, are complete and correct, were prepared in a manner consistent with the books and records of Seller and were prepared in accordance with generally accepted accounting principles consistently applied and fairly present the financial position of Seller as of the dates indicated, and the results of operations of Seller for the periods then ended. To the best of Seller's knowledge and belief, there are no liabilities, debts, obligations or claims against the Acquired Business or the Acquired Assets of any nature, absolute or contingent, except (i) as and to the extent reflected or reserved against on the balance sheet on the last month prior to Closing, (ii) specifically described and identified as an exception to this representation in the Disclosure Schedule, or (iii) incurred since December 31, 2011 in the ordinary course of business and consistent with past practice.

(f) Taxes. Except as described in the Disclosure Schedule, Seller has filed all Tax returns required to be filed (or will so file to the extent that such returns are not yet due) and has paid (or will pay) all Taxes required to be paid with respect to the operations and activities of the Acquired Business through and including the Closing Date. Except as described in the Disclosure Schedule and except as may be owed by Buyer for sales tax due relating to its purchase of the Acquired Assets, the Acquired Assets are and shall remain free and clear of any liens or encumbrances resulting from any Tax arising in any period ending on or before the Closing or including the Closing Date. For purposes hereof, the term "Tax" or "Taxes" shall include, without limitation, all gross receipts, income, profit, franchise, property, sales, use, social security, employment, payroll, withholding, unincorporated business, customs duties or any other taxes or charges due or claimed to be due with respect to or on account of the operations and activities of the Acquired Business, together with penalty and interest thereon, if any.

(g) Lawsuits and Other Actions. Except as described in the Disclosure Schedule, there are no actions, claims, disputes, suits, investigations or proceedings pending or threatened by or against or relating to Seller, its property, assets, liabilities or the transaction contemplated by this Agreement before any court, administrative agency, governmental authority or arbitrator, and to the best of Seller's knowledge, there is no basis for any of the foregoing. Seller is not

subject to any judgment, order, injunction, or decree of any court, administrative agency or other governmental authority, except as set forth in the Disclosure Schedule.

(h) Employee Benefit Matters. The Disclosure Schedule lists all employee benefit plans as that term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 (“ERISA”) to which Seller is a party. All said plans are in full compliance with ERISA. The Disclosure Schedule also lists each other plan, program, arrangement, contract or agreement providing current or future compensation or benefits to, or related to the terms of employment of, any current or former employee of the Acquired Business, including confidentiality and non-compete agreements and agreements protecting proprietary information. Seller is not a party to any collective bargaining agreement or similar arrangement covering any of its employees. Except as described in the Disclosure Schedule, there are no controversies pending or threatened between Seller and any of its employees, and there are no organizational efforts presently being made or threatened involving such employees. Except as set forth in the Disclosure Schedule, Seller has complied with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, civil rights, safety, discrimination and the payment of social security and similar taxes, any one of which would materially and adversely affect the Acquired Business, and Seller is not liable for any arrears, wages, taxes or penalties for failure to comply with any of the foregoing.

(i) Good Title. Seller has good and marketable title to the Acquired Assets free and clear of all Encumbrances, other than those set forth in the Disclosure Schedule. For purposes of this Agreement, “Encumbrances” means any lien, mortgage, pledge, encumbrance, other security interest of any kind or any other claim (including any claim of any governmental taxing authority). At the Closing, Seller will transfer, sell, convey and assign to Buyer the Acquired Assets free and clear of any Encumbrances. The Acquired Assets consisting of machinery, equipment, hardware, software and all other personal property are in substantially good operating condition, free from defects except such minor defects as do not interfere with the continued use thereof in the conduct of normal operations.



(j) Intellectual Property. Except as set forth in the Disclosure Schedule, Seller owns or possesses adequate and enforceable licenses or other rights to use the trademarks, service marks, trade names, copyrights, trade secrets, know-how, concepts and techniques, confidential information, customer lists, software, domain names, technical information and data (collectively, “Intellectual Property Assets”) used in connection with the Acquired Business, free and clear of any Encumbrances. The Intellectual Property Assets owned or licensed by Seller are all those useful or necessary for the operation of the Acquired Business as currently conducted. Except for material included in the public domain, Seller owns the copyright or possesses adequate and enforceable licenses or other rights to use any material included in any product or service of Seller, free and clear of any Encumbrances. None of the Intellectual Property Assets or other products or services prepared or distributed by Seller contains any libelous or obscene material, infringes any trade name, trademark, trade secret, copyright or patent, nor invades or violates any right of privacy. Except as described in the Disclosure Schedule, Seller has not granted to any third parties exclusive licenses or options to obtain exclusive licenses to any of the Intellectual Property Assets. The Disclosure Schedule lists all of the current United States and foreign patents, trademarks, trade names, service marks and copyrights owned by Seller and a list of the registrations or pending applications for registration thereof. The Disclosure Schedule also lists all domain names owned by Seller. Except as disclosed in the Disclosure Schedule, no outstanding claim of infringement of any Intellectual Property Asset has been asserted or, to Seller’s knowledge, threatened against Seller, and Seller has not violated any intellectual property right of any third party. No outstanding claim based on libel, defamation, obscenity or invasion of privacy has been asserted or, to Seller’s knowledge, threatened against Seller, and Seller has not violated any such right. Seller has taken all commercially reasonable precautions to protect the secrecy, confidentiality and value of its Intellectual Property Assets. All Intellectual Property Assets of Seller have been created by employees during the scope of their employment, except for the Intellectual Property Assets created or developed by independent contractors pursuant to the work-for-hire agreements (“Work For Hire Agreements”) set forth in the Disclosure Schedule. Except for the Work For Hire Agreements, no other independent contractor has created or developed Intellectual Property Assets for Seller. Seller takes and has taken reasonable measures to protect the confidentiality of its trade secrets, know-how or other confidential information

relating to the Acquired Business as currently operated. No trade secret, know-how or other confidential information has been disclosed or authorized to be disclosed to any third party, including any employee, agent, contractor or other entity, other than pursuant to a non-disclosure agreement or other conditional obligation that adequately protects Seller's proprietary interests in and to such trade secrets.

(k) Insurance. The Disclosure Schedule lists all existing insurance policies relating to the business or assets of Seller (and specifies the insured, the premium, the coverage, the type of insurance, the policy number and any pending claims thereunder). All such policies are in full force and effect.

(l) Material Agreements. Attached to the Disclosure Schedule are complete and correct copies of the form customer contracts presently used by Seller. The Disclosure Schedule lists all customer contracts of the Acquired Business (collectively, the "Customer Contracts"), together including without limitation any contract with any customer with respect to Seller's products or services. Each such Customer Contract is in full force and effect, according to its terms. Seller has no knowledge of any breach or termination by Seller or by any other parties with respect to any such Customer Contract. Seller is not a party to, nor are any of the Acquired Assets affected by, any material agreement, license, lease or other commitment (other than Customer Contracts disclosed above) of any kind or nature, whether written or oral (including, without limitation, real estate or personal property leases, licenses, distribution agreements, freelancer agreements, work-made-for-hire agreements) except as are described in the Disclosure Schedule. The term "material" means, solely for purposes of this Subsection 3(l), any agreement, license, lease or commitment which: (a) involves a price, obligation or liability of more than \$10,000 per annum, (b) purports to limit the freedom of Seller to engage in any line of business or to compete with any person or entity, (c) imposes a right a first refusal, option or other restriction with respect to the Acquired Assets or the Acquired Business, or (d) relates to any intellectual property rights included within the Acquired Assets. Except as described in the Disclosure Schedule, all such agreements, licenses, leases and commitments are valid and binding on the parties thereto and are in full force and effect, and neither Seller nor any other

party to any such agreement, license, lease or commitment has breached any provisions thereof, or is in default under the terms thereof.

(m) Untrue Statements. No representation or warranty of Seller in this Agreement or any certificate delivered hereunder contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading.

(n) Material or Adverse Changes. Except as set forth in the Disclosure Schedule, since December 29, 2011, Seller has not with respect to the Acquired Business:

(i) Voluntarily paid or incurred any obligation or liability, absolute or contingent, that is an Assumed Liability, other than obligations or liabilities incurred in the ordinary and usual course of business consistent with past business practice;

(ii) Sold or transferred any of its properties or assets or canceled, released or assigned any indebtedness owed to it or any claims held by it;

(iii) Made any change in its insurance policies, or in its contracts, agreements, licenses or leases or entered into any other agreement, license or lease not in the usual and ordinary course of business consistent with past business practices;

(iv) Made any investments of a capital nature either by the purchase of shares or securities, contributions to capital, property transfers or otherwise, or by the purchase of any property or assets of any other individual, firm or corporation;

(v) Made capital expenditures exceeding \$10,000 in the aggregate;

(vi) Increased in any manner the compensation of any Buyer Employee (as defined below);

(vii) Taken any action which would interfere with the ability of Seller to perform the terms of this Agreement.

(o) Bankruptcy Court Approval. Within twenty (20) days from the date of mutual execution of this Agreement, Seller shall file a motion with the bankruptcy court for approval of the terms of the proposed sale and set the motion for hearing within forty-five (45) days of the filing date. Any order entered by the bankruptcy court relating to said motion shall be subject to Seller's approval in Seller's sole discretion. Seller's approval may be unreasonably withheld.

(p) Filing of Disclosure Statement and Plan of Reorganization. Within forty-five (45) days from the date of mutual execution of this Agreement, Seller shall file a disclosure statement and plan of reorganization that is acceptable to Buyer with the bankruptcy court for confirmation of the terms of the proposed reorganization of the Seller and will set the motion for the approval of the disclosure schedule within thirty (30) days of the filing date.

#### **4. Representations and Warranties of Buyer:**

Buyer represents and warrants as follows:

(a) Buyer Organization. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington.

(b) Organizational and Other Documents. The consummation of the transactions contemplated by this Agreement will not result in the breach of any term or provision of the Certificate of Incorporation or By-Laws of Buyer or result in the breach of any term or provision of, or constitute a default under, any agreement or other instrument or law or regulation to which Buyer is a party or is bound.

(c) Buyer Corporate Authority and Power. The execution and delivery of this Agreement by Buyer has been duly and validly authorized and all requisite corporate action has been taken to make it valid and binding upon Buyer and is enforceable against Buyer in accordance with its terms.

(d) Financial Statements. Thirty (30) days prior to Closing Buyer will furnished Seller with (i) unaudited balance sheet of Buyer dated as of December 31, 2011 and 2010 and related statements of operations for the period then ended (The foregoing financial statements are attached to the Disclosure Schedule, are incorporated herein by reference, and are referred to hereinafter in this Agreement as the "Buyer Financial Statements"). Except as disclosed in the Disclosure Schedule, the Financial Statements are complete and correct, were prepared in a manner consistent with the books and records of Buyer and were prepared in accordance with generally accepted accounting principles consistently applied and fairly present the financial position of Buyer as of the dates indicated, and the results of operations of Buyer for the periods then ended.

(e) Buyer Capital Structure. The authorized capital stock of Buyer consists of 450,000,000 shares of common stock, no par value of which 1 share of common stock are issued and outstanding as of the date of this Agreement and 50,000,000 shares of preferred stock are authorized, no par value of which none are issued and outstanding as of the date of this Agreement, however by the Closing of this Agreement it is expected that 15,000,000 shares of Series A Preferred Stock will be issued and outstanding, with a further 5,625,000 of Series A Preferred Stock reserved for future issuance. In addition, by the time of the Closing of this Agreement, Buyer expects to have 3,000,000 Common Shares issued and outstanding under warrant agreements, and expects to further issue 3,397,500 Common Shares concurrent to the Closing of this Agreement, along with reserving 7,500,000 shares of its common shares for issuance under an equity incentive plan for future employees of the Seller. There are no other securities, options, warrants, or other rights to purchase any securities of Buyer outstanding at the date of this Agreement or at the Closing. All outstanding securities of Buyer are duly and validly issued, fully paid and non-assessable.

(f) Exemption from Registration of Securities Issued Pursuant to this Agreement.

The Common Stock issued to Seller and or Seller's shareholders have not been and will not be registered with the Securities and Exchange Commission ("SEC") or the securities commission of any state, including but not limited to Washington state, pursuant to an exemption from registration by virtue of Buyer's intended compliance with the provisions of Regulation D and/or Sections 4(2) and 4(6) of the Securities Act of 1933, as amended ("Securities Act"), and the Common Stock will be made available only to "accredited investors" or Company shareholders who have used a "Purchaser representative", as defined in Rule 501(a) of Regulation D promulgated under the Securities Act. Such exemption limits the number and types of investors to which the offering of Common Stock may be made and restricts subsequent transfers of the Common Stock so offered which also may be restricted by state securities laws. The Common Stock may not be resold or otherwise disposed of by Seller or Seller's shareholders unless, in the opinion of counsel to Buyer registration under federal and applicable state securities laws is not required or compliance is made with the registration requirements of such laws.

(g) Assistance with Post-Closing Reorganization of Seller and Qualification for Exemption from Securities Registration Requirements. Buyer understands that upon the Closing of this Transaction, that Seller intends to liquidate itself by redeeming all of the issued and outstanding stock of Seller in exchange for the Common Stock it receives in this Transaction under a to be approved plan reorganization including the winding-up, liquidation and dissolution of the Seller to be adopted and approved by both the United States Bankruptcy Court and Seller's stockholders in the future ("Seller Plan of Liquidation.") Buyer hereby represents, warrants and covenants to take such reasonable actions, including but not limited to assisting Seller in complying with the requirements for the liquidation to be approved per a confirmed plan of reorganization by the United States Bankruptcy Court and qualify the transaction for an applicable exemption from registration under the Securities Act and to assist and support Seller in completing the liquidation of Seller and transfer the Buyer Common Stock to be held by Seller to Seller's stockholders under the Seller's to be Confirmed Plan of Reorganization.

**5. Actions Prior to Closing:**

During the period from the date of this Agreement to the Closing Date, Buyer and its agents, representatives and designees, including Buyer's legal counsel and accountants, shall be given reasonable access to the offices, personnel, records, files, minute books, and books of account of Seller for the purpose of conducting an investigation at Buyer's expense of Seller's financial condition, assets, liabilities, contracts, customers, databases, models, software, business operations, properties and titles thereto, litigation, patents, trademarks, copyrights and all other matters relating to Seller's business and the Acquired Assets; provided, however, that such investigation shall be conducted in a manner that does not unreasonably interfere with Seller's normal operations and employee relationships, . Seller shall cause its personnel to assist Buyer and Buyer's agents, representatives and designees in making such investigation and shall cause its employees, counsel, accountants and other representatives to be available to Buyer and Buyer's designees for such purposes. During such investigation, Buyer and its designees at Buyer's expense shall have the right to make copies of such records, files, and other materials as Buyer may deem advisable. If this Agreement is not consummated, Buyer and its representatives and designees shall treat all information obtained in such investigation, and not otherwise known to Buyer or in the public domain, as confidential and shall not at any time utilize or disclose any such information to any third party and shall return to Seller all copies of all materials containing information obtained in such investigation. Notwithstanding the foregoing, Buyer shall be entitled to retain documents prepared by Buyer in evaluating the acquisition of Seller that may contain selected references to the confidential information, which documents are required to be retained by Buyer in accordance with its corporate policies, subject to Buyer's continuing confidentiality obligations under this provision. The obligations in the immediately preceding two sentences shall survive any termination of this Agreement.

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**6. Certain Covenants and Agreements of Buyer and Seller:**

(a) Conduct of the Business. Between the date hereof and the Closing Date, Seller covenants and agrees that it shall operate the Acquired Business in the ordinary course consistent with past practices and that it shall not take any action of the nature referred to in Section 3(n).

(b) Change of Name. Seller agrees that after the Closing Date neither Seller nor any affiliated entities nor any successors thereto will utilize throughout the world as a business name, trade name or trademark the name “Vadium Technology” or “AlphaCipher” or any similar name and, in connection therewith, Seller agrees to change its business name to “VTIAC Holdings, Inc.” or another name dissimilar to Vadium or AlphaCipher within three (3) business days after the closing Date. Also upon completion of the name change by Seller, Seller will inform Dunn & Bradstreet, Inc., of such name change. Upon completion of this name change the Buyer will change its name to Vadium Technology, Inc. or such other name as it chooses in its sole discretion.

(c) Restrictions. For a period of five (5) years after the Closing Date, neither Seller nor any of its affiliated entities nor any successors thereto will, directly or indirectly:

(i) engage in, participate in, or render consulting or other services to, or perform any services or activities as an independent contractor or otherwise for or in connection with, any business that develops, promotes, markets or sells One-Time Pad based encryption products (all of the foregoing, a “Competitive Business”).

(ii) own or control, directly or indirectly, any stock or assets in, nor have any rights to share in the profits or loan any money to, any Competitive Business, or acquire any option, warrant or other right or enter into any arrangement whether written or oral with respect to the ownership of stock or assets in any Competitive Business, or acquire any rights to share in the profits of, nor loan any money to, any Competitive Business; provided, however, that this provision shall not be deemed to be violated by the ownership of any class of equity securities



representing one percent or less of the outstanding shares of any such class of equity securities of any issuer whose securities are traded on a national securities exchange or listed by NASDAQ, the National Quotation Bureau Incorporated or any similar organization.

(iii) interfere with any relationship which Buyer or any successor thereto has with its employees, customers or suppliers; nor induce any of the employees of Buyer to work for others.

It is the desire and intent of the parties to this Agreement that the provisions of Section 6(d) shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If any particular provision or portion of Section 6(d) shall be adjudicated to be invalid or unenforceable, Section 6(d) shall be deemed amended to delete therefrom such provision or portion adjudicated to be invalid or unenforceable, such amendment to apply only with respect to the operation of such Section in the particular jurisdiction in which such adjudication is made. In addition, as the remedy at law for any breach by Seller of the covenants contained in this Section 6(d) may be inadequate, Seller acknowledges and agrees that Buyer shall be entitled to injunctive and other appropriate equitable relief to enforce such covenants.

(d) Employee Matters:

(i) The Disclosure Schedule sets forth a list of each individual employed by Seller, including project employees, and employees who are on vacation leave, family leave, authorized leave of absence or short term disability leave (“Employees”) and their respective years of service, annual compensation including but not limited to any incentive and bonus compensation and annual vacation eligibility.

(ii) Buyer shall have the right (but not the obligation) to offer employment effective on the Closing Date to each Employee, each such person to be selected by Buyer in its sole discretion, and any such Employee who accepts Buyer’s offer of employment shall be

deemed a “Buyer Employee”. The Employees who are not offered employment by Buyer together with those Employees who do not accept offers of employment by Buyer, are referred to herein as the “Seller Employees”. For the avoidance of doubt, Seller shall be responsible for terminating the employment of the Seller Employees and for paying severance and all other applicable payments due any or all Seller Employees as a result of the termination of their employment.

(iii) Seller agrees to assist Buyer in encouraging employees so offered employment by Buyer to accept said offers. Notwithstanding anything contained herein to the contrary, nothing herein shall be deemed a legally binding obligation on the part of Buyer to retain any employees of Seller after the Closing Date.

(iv) Buyer shall not assume any liabilities or any other obligation, including without limitation, under any plan, arrangement or agreement described in Section 3(g), with respect to any current, former or retired employee or contractor of Seller, and Seller retains all liabilities with respect to such employees. Seller shall be responsible for the payment of separation/termination pay claimed by its employees as a result of their termination of employment from Seller, notwithstanding the subsequent employment by Buyer of one or more of said employees.

(e) Further Assurances. Seller shall at the request of Buyer furnish, execute and deliver such documents, instruments, opinions of counsel, certificates, notices or other further assurances as counsel for Buyer shall reasonably require in order to vest Buyer with good and marketable title to the Acquired Assets (including the Intellectual Property Assets) as provided herein and to carry out the purposes of this Agreement.

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(f) Access to Records.

(i) For a period of three (3) years after the Closing, Buyer shall allow representatives of Seller access to the records and files of the Acquired Business relating to the operations of the Acquired Business prior to the Closing Date that are included in the Acquired Assets and to make copies or extracts thereof at Seller's sole expense during reasonable business hours and upon reasonable prior written notice. Said right of access shall be for purposes of obtaining information necessary for tax matters or to defend third party claims or for other proper business purposes.

(ii) For a period of three (3) years after the Closing, Seller shall allow representatives of Buyer access to the records and files relating to the operations of the Acquired Business prior to the Closing Date that are not included in the Acquired Assets and to make copies or extracts thereof at the sole expense of Buyer during reasonable business hours and upon reasonable prior written notice for purposes of obtaining information necessary for tax matters or to defend third party claims or for other proper business purposes.

(g) No Shop. Prior to the Closing Date, and subject to the order of any court to the contrary, Seller will not (and Seller will cause each of its employees, officers, directors, representatives and agents not to): (a) solicit, initiate, consider, entertain, encourage or accept the submission of any proposal or offer from any third party relating to the direct or indirect acquisition of the Acquired Business or any portion of the Acquired Assets, or (b) participate in any discussions or negotiations (and Seller shall immediately cease any discussions or negotiations that are ongoing) regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any third party to do or seek any of the foregoing. Seller will notify Buyer promptly (but in any event within 24 hours) if any third party makes any proposal, offer, inquiry or contact with respect to any of the foregoing (including the terms thereof and the identity of such Third Party).

(h) Source Code. AT the request of Buyer, on five business days written notice, Seller shall place a complete and correct copy of the current source code (together with all available documentation) for the AlphaCipher Technology Platform and all corresponding products (collectively, the "Source Code Materials") in a joint held safe deposit box in a mutually acceptable banking institution ("Source Code Deposit.") Seller shall promptly add any updates of the Source Code Materials for any substantial or material update that occur prior to the Closing Date to this Source Code Deposit. Such Source Code Materials shall be deemed Seller's confidential and proprietary information. Buyer shall not duplicate, copy, disclose or otherwise use such Source Code Materials in any manner and shall keep such Materials strictly confidential. In the event that the Closing does not occur for any reason, Buyer shall promptly return to Seller all access keys to this Safe Deposit Box

**7. The Closing:**

Subject to the conditions precedent to the obligations of Seller and Buyer set forth in Section 9 hereof, the closing of this Agreement (the "Closing") shall take place at 10:00 A.M. within three (3) business days following the satisfaction or waiver of the conditions of the Closing set forth in Section 9, or on such other date and time as may be mutually agreed upon in writing by counsel for Seller and for Buyer (the "Closing Date"). The Closing shall take place at the offices of Buyer

**8. Closing Documents and Instruments:**

- (a) At or before the Closing, Buyer shall deliver to Seller:
  - (i) The Required Cash Payment in the maximum amount of US\$12,500,000, paid directly to the Seller's Creditor's listed in the Disclosure Schedule, subject to adjustments as described as described in Section 2(a)(1) of this Agreement. The parties acknowledge that Buyer has already made payments totaling US\$2,931,325 as described in the Disclosure Schedule.

- (ii) A share certificate in the name of VTAC Holdings, Inc. or such other name as requested by Seller for 10,477,500 Common Shares of Buyer.
  - (iii) A certificate signed by a duly authorized officer of Buyer, dated the Closing Date, stating that (1) all of the representations and warranties of Buyer set forth in this Agreement are in all material respects true, accurate and complete as of the Closing Date; (2) all of the agreements and covenants set forth in this Agreement to be performed by Buyer prior to the Closing Date have been performed; and (3) all of the conditions precedent to the Closing to be performed by Buyer as set forth in Subsection 9(a) hereof have been satisfied.
  - (iv) An Assumption Agreement in connection with the Assumed Liabilities in the form of Exhibit 8(a)(iii) hereto.
- (b) At the Closing, Seller shall deliver to Buyer:
- (i) A Bill of Sale for the Acquired Assets in the form of Exhibit 8(b)(i) hereto;
  - (ii) All necessary consents, approvals, assignments and authorizations for the sale of the Acquired Assets to Buyer free and clear of any Encumbrances;
  - (iii) Assignments of the Intellectual Property Assets (and applications, if any, therefore), in form satisfactory to Buyer;

- (iv) Such other instruments of transfer as shall be reasonably requested by counsel for Buyer in order to vest Buyer with good and marketable title to the Acquired Assets free and clear of all Encumbrances or restrictions of any kind;
- (v) A good standing certificate from the State of Washington dated a recent date prior to the Closing Date;
- (vi) A Certificate signed by a duly authorized officer of Seller, dated the Closing Date, stating that (1) all of the representations and warranties of Seller set forth in this Agreement are in all material respects true, accurate and complete as of the Closing Date; (2) all of the agreements and covenants set forth in this Agreement to be performed by Seller prior to the Closing Date have been performed; and (3) all of the conditions precedent to the Closing to be performed by Seller as set forth in Subsection 9(b) hereof have been satisfied;
- (vii) An opinion of Beresford Booth, PLLC, subject to appointment by the Bankruptcy Court as Counsel to Seller, dated the Closing Date, in form and substance reasonably satisfactory to Buyer, that at the minimum will contain the following:
  - (1) Seller has duly authorized, executed and delivered this Agreement, and this Agreement is valid and enforceable against Seller in accordance with its terms.

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- (2) All proceedings required by law or by the provisions of this Agreement which are to be taken by Seller on or prior to the Closing Date necessary for the consummation of the transactions contemplated by this Agreement and other documents and instruments required hereby have been duly and validly taken.
- (3) Seller is a corporation validly existing and in good standing under the laws of the State of Washington.
- (4) Neither the execution nor delivery of this Agreement nor its performance are restricted by or violate the terms of Seller's Certificate of Incorporation or By-Laws.
- (5) To the best of their knowledge, except as described in the Disclosure Schedule, (i) there are no actions, claims, suits, disputes, investigations or proceedings pending or threatened by or against or relating to Seller before any court, administrative agency, governmental authority or arbitrator; and (ii) Seller is not in default with respect to any judgment, order, injunction, or decree of any court, administrative agency, or other governmental authority.

(viii) If required by law or Buyer, written consent of the shareholders of Seller authorizing the execution, delivery and performance of this Agreement.

(ix) Articles of amendment in form satisfactory for filing changing the name of Seller.

(x) Evidence reasonably satisfactory to Buyer that all Encumbrances on the Acquired Assets have been extinguished, including without limitation, the Encumbrances listed in the Disclosure Schedule.

**9. Conditions Precedent to Closing:**

(a) All obligations hereunder of Seller are subject, at the sole option of Seller, to the fulfillment prior to or at the Closing of each and every one of the following conditions:

(i) All of the agreements and covenants contained in this Agreement that are to be complied with, satisfied and performed by Buyer on or before the Closing Date shall have been complied with, satisfied and performed.

(ii) All of the representations and warranties made by Buyer in this Agreement shall be true and correct in all material respects both on and as of the date of this Agreement and on and as of the Closing Date.

(iii) Buyer shall deliver at the Closing to Seller all of the payments and documents referred to in Subsection 8(a) hereof.

(iv) No suit, action, or proceeding shall be instituted before any court or governmental agency or other body to restrain or prevent the transaction contemplated hereunder, nor shall any governmental investigation relating to the transactions contemplated by this Agreement have been commenced and not resolved by the Closing Date.

(b) All obligations of Buyer under this Agreement are subject, at the sole option of Buyer, to the fulfillment prior to or at the Closing of each and every one of the following conditions:



(i) All of the agreements and covenants contained in this Agreement that are to be complied with, satisfied and performed by Seller on or before the Closing Date shall have been complied with, satisfied and performed.

(ii) All of the representations and warranties made by Seller in this Agreement or in any other agreement, certificate, financial statement, instrument or document furnished or to be furnished to Buyer shall be true and correct in all material respects both on and as of the date of this Agreement and on and as of the Closing Date.

(iii) The business and properties of Seller shall not have been materially adversely affected in any way, whether by fire, casualty, act of God or otherwise.

(iv) Seller shall deliver at the Closing to Buyer all of the documents referred to in Subsection 8(b) hereof.

(v) No suit, action, or proceeding shall be instituted before any court or governmental agency or other body to restrain or prevent the transaction contemplated hereunder, nor shall any governmental investigation relating to the transactions contemplated by this Agreement have been commenced and not resolved by the Closing Date.

(vi) A court order, acceptable to the Buyer in its sole discretion, issued by the United States Bankruptcy Court for the Western District of Washington approving this Agreement and the action contemplated herein, in Chapter 11 Case Number 12-10808-MLB.

(vii) Receipt of a copy of a Confirmed Plan of Reorganization, acceptable to the Buyer, issued by the United States Bankruptcy Court for the Western District of Washington in Chapter 11 Case Number 12-10808-MLB.

**10. Termination; Right of First Refusal:**

- (a) Notwithstanding any provision in this Agreement to the contrary, this Agreement may be terminated at any time prior to the Closing Date by:
- (i) mutual written agreement of the parties;
  - (ii) either party if the Closing Date does not occur by September 30, 2012 (except that a party may not terminate the Agreement if the Closing Date has not occurred by reason of a breach by such party of any of its representations, warranties or covenants hereunder);
  - (iii) Buyer: (a) if Seller or its shareholders shall enter into a definitive agreement (or letter of intent or agreement in principle) with a third party providing for the acquisition of all or any material portion of the Acquired Business or the Acquired Assets (whether by sale of stock, sale of assets, merger or otherwise) (or the board of directors or shareholders of Seller shall have resolved to take such action), or (b) any third party shall acquire (or enter into an agreement to acquire) all or any material portion of the Acquired Business or the Acquired Assets (whether by sale of stock, sale of assets, merger or otherwise).
  - (iv) Buyer, if Seller shall breach in any material respect any of its representations, warranties or obligations hereunder and such breach shall not have been cured in all material respects or waived and Seller shall not have provided adequate assurance that such breach will be cured in all material respects on or before the Closing Date; or

(v) Seller, if Buyer shall breach in any material respect any of its representations, warranties or obligations hereunder and such breach shall not have been cured in all material respects or waived and Buyer shall not have provided adequate assurance that such breach will be cured in all material respects on or before the Closing Date.

(b) Upon a termination of this Agreement by Buyer pursuant to Section 10(a)(iii) or 10(a)(iv), Seller shall pay to Buyer, as a termination fee, an amount equal to the reasonable out-of-pocket expenses incurred by Buyer in connection with the negotiation, preparation, execution, performance and efforts to consummate this Agreement, including Buyer's reasonable attorneys' fees, which the parties agree is Four Million United States Dollars (US\$4,000,000.00). The termination fee provided for herein shall be due and payable within ten (10) business days after the termination of this Agreement. In the event that it is necessary for Buyer to institute proceedings to seek collection of the termination fee due to Buyer, Seller shall also reimburse Buyer for the attorneys' fees and other reasonable costs and expenses incurred in connection therewith.

(c) In the event that: (i) Seller (or any successor or third party acting on behalf of Seller) or its shareholders receive a bona fide offer from a third party to purchase all a material portion of the Acquired Assets or the Acquired Business, and (ii) Seller (or any successor or third party acting on behalf of Seller) or its shareholders propose to accept such offer, Seller shall immediately furnish Buyer with written notice specifying the material financial terms of such offer. Notwithstanding such third party offer, Buyer shall have the right to purchase the Acquired Assets pursuant to the terms and conditions of this Agreement, except that the purchase price shall be no less favorable to Seller from a financial perspective as that specified in the third party offer which the Seller is prepared to accept. If Buyer shall determine not to match such third party offer, it shall have the right to terminate this Agreement and receive full payment of the termination fee in accordance with Section 10(b) hereof.

**11. Payment of Expenses:**

(a) Buyer shall pay all necessary state and local sales taxes incident to the transfer to Buyer of the Acquired Assets and Assumed Liabilities.

(b) The costs for both the Seller and Buyer shall be paid out of the purchase price at Closing. These costs and expenses, include, but are not limited to legal fees, incurred in connection with conducting the negotiations leading to this Agreement and in performing, closing and otherwise carrying out the provisions of this Agreement.

(c) Buyer and Seller represent to each other that no broker or finder has been employed by any party in connection with this transaction and each agrees to indemnify and hold the other harmless against any and all claims of any such broker or finder with respect to this transaction.

**12. Indemnification:**

(a) Indemnification by Seller: Seller hereby agrees to defend, indemnify and hold harmless Buyer, its officers, directors and employees, and its successors, assigns and affiliates (collectively, the “Buyer Indemnitees”) from and against any and all losses, claims, obligations, fines, proceedings, deficiencies, liabilities, damages, assessments, judgments, costs and expenses, including reasonable attorney’s fees (both those incurred in connection with the investigation, defense or prosecution of the indemnifiable claim and those incurred in connection with the enforcement of this provision) (collectively, “Buyer Losses”), caused by, resulting from or arising out of (directly or indirectly) or in connection with:

(i) (A) breaches of any representation or warranty hereunder on the part of Seller; and (B) failures by Seller to perform or otherwise fulfill any undertaking or other agreement or obligation hereunder; and/or

(ii) the operation of the Acquired Business or Acquired Assets on or prior to the Closing Date; and/or

(iii) any liability or obligation of Seller that is not an Assumed Liability; and/or

(iv) any and all actions, suits, proceedings, claims and demands incident to any of the foregoing or such indemnification; provided, however, that if any claim, liability, demand, assessment, action, suit or proceeding shall be asserted against a Buyer Indemnitee in respect of which a Buyer Indemnitee proposes to demand indemnification (“BUYER Indemnified Claims”), Buyer or such other Buyer Indemnitee shall notify Seller thereof, provided further, however, that the failure to so notify Seller shall not reduce or affect Seller’s obligations with respect thereto except to the extent that Seller is materially prejudiced thereby. Subject to rights of or duties to any insurer or other third person having liability therefor, Seller shall have the right promptly upon receipt of such notice to assume the control of the defense, compromise or settlement of any such Buyer Indemnified Claims, including, at its own expense, employment of counsel; provided, however, that if Seller shall have exercised its right to assume such control, Buyer may, in its sole discretion and at its expense, employ counsel to represent it (in addition to counsel employed by Seller) in any such matter, and in such event counsel selected by Buyer shall be required to cooperate with such counsel of Seller in such defense, compromise or settlement.

(b) Indemnification by Buyer: Buyer hereby agrees to defend, indemnify and hold harmless Seller, its officers, directors and employees and its successors (collectively, “Seller Indemnitees”) from and against any and all losses, claims, obligations, fines, proceedings, deficiencies, liabilities, damages, assessments, judgments, costs and expenses, including reasonable attorneys’ fees (both those incurred in connection with the investigation, defense or prosecution of the indemnifiable claim and those incurred in connection with the enforcement of the provision) (collectively, “Seller Losses”), caused by, resulting from or arising out of (directly or indirectly) or in connection with:

(i) (A) breaches of any representation and warranty hereunder on the part of Buyer; and (B) failures by Buyer to perform or otherwise fulfill any undertaking or other agreement or obligation hereunder; and/or

(ii) the operation of the Acquired Business or Acquired Assets after the Closing Date; and/or

(iii) any liability or obligation that is an Assumed Liability; and/or

(iv) any and all actions, suits, proceedings, claims and demands incident to any of the foregoing or such indemnification; and provided, however, that if any claim, liability, demand, assessment, action, suit or proceeding shall be asserted in respect of which a Seller Indemnitee proposes to demand indemnification (“Seller Indemnified Claims”), Seller or such other Seller Indemnitee shall notify Buyer thereof, provided further, however, that the failure to so notify Buyer shall not reduce or affect Buyer’s obligations with respect thereto except to the extent that Buyer is materially prejudiced thereby. Subject to rights of or duties to any insurer or other third person having liability therefor, Buyer shall have the right promptly upon receipt of such notice to assume the control of the defense, compromise or settlement of any such Seller Indemnified Claims, including, at its own expense, employment of counsel; provided, however, that if Buyer shall have exercised its right to assume such control, Seller may, in its sole discretion and at its expense, employ counsel to represent it (in addition to counsel employed by Buyer) in any such matter, and in such event counsel selected by Seller shall be required to cooperate with such counsel of Buyer in such defense, compromise or settlement.

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(c) Certain Limitations:

(i) It is agreed that Seller shall have no liability pursuant to Section 12(a)(i)(A) to indemnify for Buyer Losses until Buyer Losses in the aggregate exceed Five Hundred Thousand U.S. Dollars (\$500,000), and then only to the extent they exceed such amount, provided however the foregoing limitation shall not apply to Buyer Losses with respect to breaches of the representations and warranties set forth in Sections 3(e) and 3(h).

(ii) Upon making any payment to an indemnitee for any indemnification claim pursuant to this Section 12 the indemnifying party shall be subrogated, to the extent of such payment, to any rights which the indemnitee may have against other persons with respect to the subject matter underlying such indemnification claim.

Any provision hereof to the contrary notwithstanding, Seller may not seek to recover back sales Taxes from customers, and Buyer shall not be required to attempt to collect such Taxes from customers as a condition to any indemnification.

(d) Survival: The respective representations and warranties of Seller and of Buyer hereunder shall survive the Closing for a period of three (3) years, except that: (i) the representations and warranties of Seller set forth in Section 3(g) (Employee Benefit Matters), Section 3(h) (Good Title), 3(i) (Intellectual Property) and Section 3(e) (Taxes) shall survive until the expiration of all applicable statute of limitations with respect thereto, as such may be extended from time to time at the request of any tax authority.

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**13. Miscellaneous:**

(a) All notices, requests, demands and other communications hereunder shall be in writing and delivered personally or by registered or certified mail, return receipt requested, postage prepaid, or sent by Federal Express or other commercial overnight courier service, and addressed to the party to be notified at the addresses set forth below, or at such other addresses as it may have been given written notice in accordance with this paragraph:

- (i) If to Seller,  
Rod Nicholls  
President  
Vadium Technology, Inc.  
PMB 4568  
Seattle, WA 98194

with copies to:

Dallas W. Jolley, Esq.  
4707 South Junnett, Suite B  
Tacoma, WA 98409

and

David Tingstad, Esq.  
Beresford Booth, PLLC  
145 Third Avenue South, Suite 200  
Edmonds, WA 98020

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(ii) If to Buyer,  
Jose Antonio Rios  
Director  
AlphaCipher Acquisition Corporation  
401 Second Avenue South, Suite 500  
Seattle, WA 98104

with copies to:

S. Shawn Tacey  
Tacey Goss PS  
330 112<sup>th</sup> Avenue NE, Suite 301  
Bellevue, WA 98004

and

Tilo Kunz  
President & CEO  
Belhara Security Solutions, Inc.  
475 Howe Street, Suite 807  
Vancouver, British Columbia, Canada  
V6C 2B3

and

Kathleen MacInnes, Esq.  
Lunny MacInness  
Barristers & Solicitors  
555 West Hastings Street, Suite 2550  
Vancouver, British Columbia, Canada  
V6B 4N5

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(b) This Agreement may not be assigned by either party without the other party's prior written consent. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the undersigned parties, the successors and permitted assigns of Buyer and the successors and permitted assigns of Seller.

(c) It is understood and agreed that all of the representations and warranties contained in this Agreement which are not expressly limited to some other date shall be deemed to state the facts contained therein as they existed both as of the date of this Agreement and as of the Closing Date.

(d) Neither party shall issue any press release or other public announcement with respect to the transaction contemplated by this Agreement until after the Closing Date, unless otherwise required by law. All press releases or public announcements relating to the transaction will be mutually agreed to by Buyer and Seller.

(e) Except as otherwise provided in this Agreement, it is understood and agreed that neither Buyer nor Seller has made any representations to the other as to the tax effect of the transactions contemplated by this Agreement, and Buyer and Seller are therefore separately taking counsel as to such matters, and each is assuming, subject only to the express provisions of this Agreement, the tax, if any, which may be incurred by reason of the carrying out of the terms and provisions hereof.

(f) The titles of the sections of this Agreement have been assigned thereto for convenience only and shall not be construed as limiting, defining or affecting the substantive terms of this Agreement.

(g) As used in this Agreement, the terms "hereby", "hereto" and/or "hereunder" and similar terms shall refer to this Agreement and not to any particular section or provision of this Agreement unless expressly otherwise stated.

(h) This Agreement shall be controlled, construed and enforced in accordance with the internal laws of the State of Washington. The waiver by any party of a breach of any provision of this Agreement shall not operate as, nor be construed as, a waiver of any subsequent breach thereof. This Agreement constitutes the entire agreement between the parties hereto with respect to the transactions contemplated hereby and may be modified only by a subsequent written document signed by the parties hereto.


(i) This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

(j) Seller and Buyer each agree to fully cooperate with each other to execute any necessary documents or obtain certain approvals that may be reasonably required by either party or any other third party to give effect to or complete the performance of any conditions, covenants or requirements of closing this Agreement in order to ensure that it is fully enforceable as written, to the extent such documents and/or approvals becomes necessary.

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day first above written.

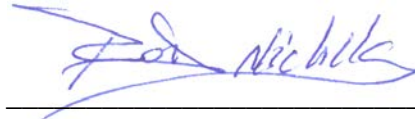
**ALPHACIPHER ACQUISITION  
CORPORATION**

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

Name: Tilo Kunz

Title: Chairman, Board of Directors

**VADIUM TECHNOLOGY, INC.**

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

Name: Rod Nicholls

Title: President

**EXHIBIT 1(a)**  
**ACQUIRED ASSETS**

All of Seller's right, title and interest in and to the following assets:

1. All of the accounts receivable of Seller.
2. All of the Customer Contracts and any other agreements and commitments relating to the Acquired Business that is an Assumed Liability.
3. All Intellectual Property Assets, including any existing registrations or applications therefore, related to the Acquired Business, and all goodwill associated therewith.
4. All of Seller's databases, publications, products and services (including published and unpublished), including, without limitation, the products known as "AlphaCipher".
5. All of Seller's work in process and under development.
6. All of Seller's right, title and interest in Vadium Voice Communications, LLC.
7. All artwork, photographs, illustrations and diagrams relating to the Acquired Business.
8. All of Seller's databases, software and systems of the Acquired Business (including without limitation, the product known as AlphaCipher). Software shall include the current source code and object code versions of the software and all product and technical documentation relating to such software.
9. All of Seller's promotional and advertising materials relating to the Acquired Business.

10. All correspondence, records and files of Seller, including all editorial, sales, promotion, market research, and other files relating to the Acquired Business, excluding Seller's financial records and books of account.

11. All of Seller's customer and subscriber lists and files used by Seller in connection with the Acquired Business.

12. All of Seller's domain names and World Wide Web sites related to the Acquired Business, all of which are listed in the Disclosure Schedule.

13. All of Seller's hardware, computers, machinery, technology, office equipment and other personal property that are used in the Acquired Business, other than those items of equipment and personal property leased pursuant to an agreement not assumed by Buyer as an Assumed Liability.

All the foregoing shall be known collectively as the "Acquired Assets".

## **EXHIBIT 1(b)**

### **ASSUMED LIABILITIES**

(1) All rights of the Company to enforce the “secrecy” and “proprietary information” agreements between Seller and its current and former employees that are specifically listed on the Disclosure Schedule (except that Buyer is not assuming any payment or financial obligations thereunder);

(2) Any equipment or real estate lease (with the consent of the landlord) between Seller and any third party that Buyer may, at its sole option, assume at Closing.

(3) Any promissory note or obligation between Seller and any third party that Buyer may, at its sole option, assume at Closing.

All the foregoing shall be known collectively as the "Assumed Liabilities".

**EXHIBIT 2**

**PURCHASE PRICE ALLOCATION**

To be completed at Closing using IRS Form 8594 Asset Acquisition Statement



### EXHIBIT 3

### DISCLOSURE SCHEDULE

(a) Schedule of Payments to be made directly by Buyer to Creditor's of Seller per Section 2(a)(i) of the Agreement.

	<u>Estimated Balance to Be Settled</u>	<u>Cash Payment Completed</u>	<u>Cash Payment</u>	<u>Conversion To Equity</u>	<u>Voluntary Compromise</u>	<u>Estimated Balance After Asset Sale</u>
<b>Bankruptcy Administrative Expenses</b>						
Fees to US Trustee's Office	\$ 50,000		\$ 50,000			\$ -
Estimated Professional Fees	\$ 100,000		\$ 100,000			\$ -
<b>Total Administrative Fees</b>	<b>\$ 150,000</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Post-Petition Expenses</b>						
Debtor's Counsel	\$ 20,000		\$ 20,000			\$ -
Patent Fees	\$ 20,000		\$ 20,000			\$ -
Miscellaneous	\$ 5,000		\$ 5,000			\$ -
<b>Total Post Petition Fees and Expenses</b>	<b>\$ 45,000</b>	<b>\$ -</b>	<b>\$ 45,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Secured Creditors</b>						
Avanade, Inc	\$ 743,991		\$ 743,991			\$ -
John Brasino	\$ 476,443		\$ 476,443			\$ -
David R. Vey	\$ 1,439,061	\$ 250,000	\$ 1,189,061			\$ -
CADG International Pte. Ltd.	\$ 2,500,000	\$ 2,000,000	\$ 500,000			\$ -
Brian Williams	\$ 115,000	\$ 115,000				\$ -
Michael Kichline	\$ 1,110,000		\$ 165,000	\$ 945,000		\$ -
David Jones	\$ 202,500		\$ 40,000	\$ 162,500		\$ -
S. Shawn Tacey	\$ 874,500	\$ 100,000	\$ 10,000	\$ 764,500		\$ -
Elizabeth Hammersmith	\$ 718,000			\$ 263,800	\$ 454,200	\$ -
Wolfgang Hammersmith	\$ 718,000			\$ 718,000		\$ -
4505, LLC	\$ 937,835	\$ 250,000	\$ 687,835			\$ -
Former Employees	\$ 216,325	\$ 216,325				\$ -
Washington State DOR	\$ 41,133		\$ 41,133			\$ -
Washington State ESD	\$ 47,161		\$ 47,161			\$ -
<b>Total Secured Creditors</b>	<b>\$10,139,949</b>	<b>\$2,931,325</b>	<b>\$3,900,624</b>	<b>\$2,853,800</b>	<b>\$ 454,200</b>	<b>\$ -</b>
<b>Priority Unsecured Creditors</b>						

AAC – VTI Asset Purchase Agreement  
May 10, 2012

Internal Revenue Service	\$ 1,505,017	\$1,505,017	\$ -
State of Michigan Department of Energy	\$ 4,510	\$ 4,510	\$ -
Florida Department of Revenue	\$ 597	\$ 597	\$ -
State of Maryland Department of Labor	\$ 187	\$ 187	\$ -
California Employment Dev Dept	\$ 20,000	\$ 20,000	\$ -
Oregon Employment Department	\$ 22,000	\$ 22,000	\$ -

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**Total Priority Unsecured Creditors**                    \$ 1,552,311    \$ -    \$1,552,311    \$ -    \$ -    \$ -

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**Unsecured Creditors**

General Accounts Payable

ABT ApS	\$ 4,000	\$ 4,000	\$ -
Action Web Host	\$ 51	\$ 51	\$ -
Advanced Digital Graphics	\$ 194	\$ 194	\$ -
Allied Credit Services, Inc.	\$ 6,025	\$ 6,025	\$ -
Amalgamated Financial Group	\$ 154	\$ 154	\$ -
Blick Rothenberg	\$ 3,000	\$ 3,000	\$ -
Coface	\$ 8,755	\$ 8,755	\$ -
Comcast - Office	\$ 65	\$ 65	\$ -
Costco	\$ 150	\$ 150	\$ -
Crystal Springs	\$ 94	\$ 94	\$ -
Fenwick & West LLP	\$ 23,096	\$ 23,096	\$ -
Graybeal Jackson LLP	\$ 52,000	\$ 52,000	\$ -
Henderson Bay Electric	\$ 207	\$ 207	\$ -
Iron Mountain	\$ 7,540	\$ 7,540	\$ -
Law Office of J Michael Lovejoy, PS	\$ 18,245	\$ 18,245	\$ -
Lawson W. Turner, III (Attorney)	\$ 333	\$ 333	\$ -
Luce & Associates	\$ 62,352	\$ 62,352	\$ -
Navidad Real Estate Holding, LLC	\$ 78,533	\$ 78,533	\$ -
NCO Financial Systems, Inc.	\$ 48	\$ 48	\$ -
North Shore Agency (NSA)	\$ 221	\$ 221	\$ -
OSI Collection Services, Inc.	\$ 60	\$ 60	\$ -
Paccess, Inc	\$ 38,500	\$ 38,500	\$ -
Solutionz Conferencing	\$ 49,500	\$ 49,500	\$ -
Denton SNR	\$ 41,436	\$ 41,436	\$ -
Sourcefire	\$ 1,259	\$ 1,259	\$ -
Staples	\$ 1,000	\$ 1,000	\$ -
StoneBridge Securities, LLC	\$ 60,766	\$ 60,766	\$ -
Strategic Business Communications	\$ 2,400	\$ 2,400	\$ -
Synter Resource Group, LLC	\$ 258	\$ 258	\$ -
Tacoma Public Utility	\$ 61	\$ 61	\$ -
T-Mobile	\$ 3,300	\$ 3,300	\$ -
Waxie Sanitary Supply	\$ 15	\$ 15	\$ -
Williams, Kastner	\$ 18,712	\$ 18,712	\$ -
Worldwide Express	\$ 1,951	\$ 1,951	\$ -
Opti Staffing	\$ 12,000	\$ 12,000	\$ -

AAC – VTI Asset Purchase Agreement  
May 10, 2012

Quardev	\$ 11,374	\$ 11,374		\$ -
ULR&I	\$ 450,000	\$ 450,000		\$ -
Gallestigui & Lozon	\$ 5,900	\$ 5,900		\$ -
Peter Langmaid	\$ 20,000	\$ 20,000		\$ -
Dan Gatchet	\$ 10,500	\$ -	\$ 21,000	\$ -
DARPAT, LLC	\$ 10,500	\$ -	\$ 10,500	\$ -
John Towey	\$ 21,000	\$ -	\$ 10,500	\$ -
John Parker, Jr.	\$ 150,000	\$ -	\$ 150,000	\$ -
Marty Kneeland / Brit-Simone Suter	\$ 25,000	\$ -	\$ 25,000	\$ -
Denny Miller Associates	\$ 170,000	\$ 170,000		\$ -
Moylan Marketing	\$ 6,500	\$ 6,500		\$ -
Beresford Booth, PLLC	\$ 105,000	\$ 105,000		\$ -
TBK Patent	\$ 5,595	\$ 5,595		\$ -
Tacey Goss, PS	\$ 10,000	\$ 10,000		\$ -

<u>Total General Accounts Payable</u>	\$ 1,497,649	\$ -	\$ 1,280,649	\$ 217,000	\$ -	\$ -
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Furloughed Former Employees

Jose Antonio Rios	\$ 513,895	\$ 250,000	\$ 263,895	\$ -
Wolfgang Hammersmith	\$ 1,620,000	\$ 250,000	\$ 1,370,000	\$ -
Elizabeth Hammersmith	\$ 835,000		\$ 835,000	\$ -
Rod Nicholls	\$ 1,445,000	\$ 250,000	\$ 1,195,000	\$ -
Zsolt Ari	\$ 150,000	\$ 59,500	\$ 90,500	\$ -
Joe Mistachkin	\$ 190,000	\$ 123,100	\$ 66,900	\$ -
Loal Davis	\$ 95,000	\$ 32,750	\$ 62,250	\$ -
Jeff Nitsche	\$ 95,000	\$ 83,000	\$ 12,000	\$ -
Dale Miller	\$ 61,000	\$ 61,000		\$ -
Darren Basch	\$ 52,506	\$ 52,506		\$ -

<u>Total Furloughed Former Employees</u>	\$ 5,057,401	\$ -	\$ 1,161,856	\$ -	\$ 3,895,545	\$ -
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Notes Held by Shareholders

Anthony Robins	\$ 44,500	\$ 44,500	\$ -
Arnie Ohaks	\$ 5,000	\$ 5,000	\$ -
Burt Margolis	\$ 10,000	\$ 10,000	\$ -
David Alexander	\$ 22,500	\$ 22,500	\$ -
David Nelson	\$ 10,000	\$ 10,000	\$ -
Ea Lilja	\$ 5,000	\$ 5,000	\$ -
Grindstone Management, LLC	\$ 330,000	\$ 330,000	\$ -
Irrevocable Trust of Adrienne M. Schreiner	\$ 11,500	\$ 11,500	\$ -
Irrevocable Trust of Jessica M. Schreiner	\$ 11,500	\$ 11,500	\$ -
Irrevocable Trust of Kristina L. Schreiner	\$ 11,500	\$ 11,500	\$ -
Irrevocable Trust of Samantha C. Schreiner	\$ 11,500	\$ 11,500	\$ -
Irrevocable Trust of Stephanie K. Schreiner	\$ 11,500	\$ 11,500	\$ -
Irrevocable Trust of Wriley W.W. Schreiner	\$ 11,500	\$ 11,500	\$ -

James K. Anderson	\$ 65,000		\$ 65,000	\$ -		
Jan Diepenheim	\$ 72,500		\$ 72,500	\$ -		
Jeff Hayford	\$ 10,000		\$ 10,000	\$ -		
Jim Becker	\$ 22,000		\$ 22,000	\$ -		
Jim Wallace	\$ 50,000		\$ 50,000	\$ -		
John A. Monk Generation Skipping Trust	\$ 20,000		\$ 20,000	\$ -		
Kenyon E. and Karen Luce	\$ 159,277	\$ 159,277		\$ -		
Lawerence Lavine	\$ 443,000		\$ 443,000	\$ -		
Linda Mackintosh	\$ 29,382		\$ 29,382	\$ -		
Mary Veal	\$ 30,000		\$ 30,000	\$ -		
Paul Walker	\$ 20,000		\$ 20,000	\$ -		
Revocable Trust of Geoffrey R. Monk	\$ 35,000		\$ 35,000	\$ -		
Revocable Trust of John A. Monk	\$ 65,000		\$ 65,000	\$ -		
Ron Norris	\$ 10,000		\$ 10,000	\$ -		
Salnave Road Ventures, LLC	\$ 82,632	\$ 82,632	\$ -	\$ -		
Scott and Sarah Armstrong	\$ 25,750		\$ 25,750	\$ -		
Steve & Ronna Schreiner	\$ 25,000		\$ 25,000	\$ -		
Steve O'rear	\$ 5,000		\$ 5,000	\$ -		
Stuart Hagen	\$ 15,750		\$ 15,750	\$ -		
TATS of WA, Inc.	\$ 65,000		\$ 65,000	\$ -		
Terry Korotozer	\$ 79,500		\$ 79,500	\$ -		
TK Yeoh	\$ 10,000		\$ 10,000	\$ -		
Tom Nickels	\$ 10,000		\$ 10,000	\$ -		
Walt Smith	\$ 189,000	\$ 189,000	\$ -	\$ -		
Wendy Costello	\$ 40,000		\$ 40,000	\$ -		
<b>Total Notes Held by Shareholders</b>	<b>\$ 2,074,791</b>	<b>\$ -</b>	<b>\$ 430,909</b>	<b>\$ 1,643,882</b>	<b>\$ -</b>	<b>\$ -</b>
<b>AlphaCipher Acquisition Corporation</b>	<b>\$ 2,931,325</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,931,325</b>	<b>\$ -</b>
<b>Total Unsecured Creditors</b>	<b>\$11,566,166</b>	<b>\$ -</b>	<b>\$2,873,414</b>	<b>\$1,860,882</b>	<b>\$ 6,826,870</b>	<b>\$ -</b>
<b>Total Payments Conversions and Compromises</b>	<b>\$23,448,426</b>	<b>\$2,931,325</b>	<b>\$8,521,349</b>	<b>\$4,714,682</b>	<b>\$ 7,281,070</b>	<b>\$ -</b>

Note at the time of the preparation of this schedule some of these amounts are just estimates and will require additional accrual of interest and penalty charges to get to final payoff amount.

(b) Organizational and Other Documents. Seller has interests in the following subsidiaries, partnerships, joint ventures or other business entities:

- 1) Vadium IT Services, LLC (Washington)
- 2) Vadium Voice Communications, LLC (Washington)

(c) Seller Corporate Authority and Power. To close the transaction the Seller will need to receive the approval of the United States Bankruptcy Court for the Western District of Washington, in Chapter 11 Case Number 12-10808-MLB. Furthermore to close the transaction the Seller will need to provide lien releases from the following parties due to them holding either Security Interests or Lines in the Acquired Assets:

<u>Agreement Counter Party</u>	<u>Agreement Type</u>
John Brasino	Security Agreement
Wolfgang S. & Elizabeth Hammersmith	Security Agreement
S. Shawn Tacey	Security Agreement
Michael Kichline	Security Agreement
David Jones	Security Agreement
Avanade, Inc.	Security Agreement
Vey Development / David R. Vey	Security Agreement
CADG Pte. Ltd.	Confidential Settlement Agreement
Washington State Department of Revenue	Tax Warrant Lien
Washington State Employment Security Department	Tax Warrant Lien

To clear this agreement the payments listed to each party in Item (a) above need to be made prior to closing and then each party who has a Security Agreement will provide a lien release, a copy of the template lien release is included with the Disclosure Schedule.

(d) Financial Statements.

- 1) Prior to Closing, the Seller's Financial Statements for the Years Ending December 31, 2011 and 2010 are attached to the Disclosure Schedule, along with the Separate Company financial statements for Vadium Voice Communications, LLC, a Majority Owned Subsidiary of the Seller. The Financial Statements of the Seller as of March 31, 2012, will be delivered to Buyer prior to closing.
- 2) Prior to Closing the Buyer's Financial Statements for the Years Ending December 31, 2011 and 2010 will be attached to the Disclosure Schedule.

(e) Taxes.

The taxes due and payable include United States Federal Payroll Taxes and State Payroll Taxes, as well as Washington State Business and Occupation Taxes. As far as the Seller is aware a United States Federal, State and Local tax returns have been filed with the cognizant taxing agencies. The list of the taxing authorities that taxes are due to, along with amounts owing is as follows, and is included in Item A above:

<u>Taxing Authority</u>	<u>Type of Tax</u>	<u>Tax Due</u>
Internal Revenue Service	Federal Payroll	\$ 1,505,017
Washington State Department of Revenue	State Business & Occupation	\$ 41,133
Washington State Employment Security Department	State Unemployment	\$ 47,161
State of Michigan Department of Energy, Labor, and Economic Growth	State Payroll	\$ 4,510
Florida Department of Revenue	State Payroll	\$ 597
State of Maryland Department of Labor, Licensing	State Payroll	\$ 187
California Employment Development Department	State Payroll	\$ 20,000
Oregon Employment Department	State Payroll	\$ 22,000
		<hr/>
		\$ 1,640,605

(f) Lawsuits and Other Actions.

- 1) In the Matter of Vadium Technology, Inc. Debtor-In Possession, Chapter 11 Bankruptcy, Western District of Washington, Case #12-10808-MLB. Voluntary Chapter 11 Debtor in Possession Bankruptcy Proceeding.
- 2) Lokan Associates, Inc. v. Vadium Technology, Inc. in the Pierce County Superior Court for the State of Washington, Case Number 12-2-06695-2, dispute for unpaid trade debt.

(g) Employee Benefit Matters.

- 1) No ERISA Employee Benefit Plans
- 2) Confidentiality Agreements – Each Employee Vadium has ever employed has executed its Standard Employee Proprietary Information and Assignment Agreement, a copy of which is attached to the Disclosure Schedule. The Buyer has received copies of each and every executed PIA. Additionally there are confidentiality and non-compete provisions in each employee's standard employment agreement, a copy of which is included with the Disclosure Schedule and Buyer hereby acknowledges that it has received copies of each of these agreements for the following current and past employees of Seller:

Lance Gaines  
Kevin Casey  
Dave Brown  
Dave Pate  
Chris Halos  
Tung Van  
Dave Byther  
Derek Hanson  
Piyush Kumar  
Jason Casey  
Matt Leggitt  
Tommy Sokola  
Kim Mercier  
Zsolt Ari

Loal Davis  
 Joe Mistachkin  
 Ed Arter  
 Darren Basch  
 Colin Lowery  
 Dale Miller  
 Bernardo Nicolau  
 Julie Legault  
 Jeff Nitsche  
 Wolfgang Hammersmith  
 Jose Antonio Rios  
 Rod Nicholls  
 Jose Luis Guzman  
 Dawson Cowals

3) Deferred Compensation

4) Payroll Taxes Payable as described in Item E.

(h) Good Title. Prior to payment of the liabilities listed above the following liens exists on the Seller's assets, upon payment of these liabilities the liens are extinguished.

<u>Creditor Name</u>	<u>WA State UCC File Number</u>
John Brasino	2009-289-4227-1
Wolfgang S. & Elizabeth Hammersmith	2006-209-1321-0 7 & 2006-209-1320-3
S. Shawn Tacey	2006-209-1322-7
Michael Kichline	2006-209-1319-7
David Jones	2006-209-1323-4
Avanade, Inc.	2009-008-5660-2
Vey Development / David R. Vey	2009-364-1444-9
CADG Pte. Ltd.	N/A
Washington State Department of Revenue	
Washington State Employment Security Department	



(i) Intellectual Property.

## 1) Patents

<u>Title</u>	<u>Date Filed / Priority Date Date Issued</u>	<u>Jurisdiction(s ) App #</u>	<u>Number of Claims / Independent Claims</u>	<u>Current Status</u>	<u>Attorney</u>
One-time-pad encryption with key ID and offset for starting point	Sept 24, 2002 March 29, 2000	United States 10/254,495	22 / 3	Examination in progress	Jeff Haley
One-time-pad encryption with keyable characters	Not yet filed March 29, 2000	United States	8 / 2	To be filed as continuation	Jeff Haley
One-time-pad encryption with central key service and key management	Not yet filed March 29, 2000	United States	15 / 2	To be filed as continuation	Jeff Haley
One-time-pad encryption with central key service and keyable characters	March 29 2001 March 29, 2000 01.Aug.2007	Europe EP1279249	34 / 3	Issued in Germany, France, and UK	Jeff Haley
One-time-pad encryption with key ID and offset for starting point	March 29 2001 March 29, 2000	All of Europe EP1808977	T/B/D	Examination in progress	Jeff Haley
Cryptographic Key Distribution Using Key Folding	July 18, 2003 July 18, 2002 01.January.2008	United States 7,317,799	2	Issued	Ed Radlo
Techniques to Strengthen One-Time Pad Encryption	July 28, 2005 July 29, 2004	United States 11/191,878	22	Partial Notice of Allowance, Continued Examination on rest	Ed Radlo

## 2) Trademarks

<u>Serial Number</u>	<u>Reg. Number</u>	<u>Word Mark</u>
78812823	3226016	CONFIDENCE DELIVERED
78366862	2988236	ALPHACIPHER MOBILE
78360692	2925286	ALPHACIPHER DESKTOP
78334065	2916369	VADIUM TECHNOLOGY
78282610	3230443	ALPHACIPHER
78273396	2881628	VADIUM TECHNOLOGY, INC.

3) Domain Names

Vadiumtech.com  
Vadiumtech.net  
Alphacipher.com  
Alphacipher.net

4) Exclusive Licenses Granted

a. Vadium Voice Communications, LLC was granted an exclusive license to the technology for exploitation of the AlphaCipher Technology Platform for GSM Communications. A Copy of the License will be attached to the Disclosure Schedule at Closing, and is also referenced in item (k) Material Agreements below.

b. Belhara Security Solutions, Inc., was granted an exclusive license to exploitation of the AlphaCipher Technology Platform within the Online Banking vertical market as defined in the License Agreement and the Side Letter Agreement between Vadium Technology, Inc., Belhara Security Solutions, Inc., and AlphaCipher Acquisition Corporation. Copies of the License and Side Letter will be attached to the Disclosure Schedule at Closing, and they are also referenced in item (k) Material Agreements below.

(j) Insurance.

The Seller has no Insurance Policies, has not had any insurance policies in the last 5 years and has never had a claim made against an insurance policy.

(k) Material Agreements.

- 1) Operating Agreement for Vadium Voice Communications, LLC
- 2) Intellectual Property License Agreement between Vadium Technology, Inc. and Vadium Voice Communications, LLC
- 3) Software License Agreement between Vadium Technology, Inc and Belhara Security Solutions, Inc.
- 4) Side Letter Agreement between Vadium Technology, Inc., Belhara Security Solutions, Inc, and AlphaCipher Acquisition Corporation.

(l) Material or Adverse Changes.

At Buyer's Request Seller filed for Voluntary Bankruptcy protection under Chapter 11 of the United States Bankruptcy Code on January 30, 2012. The matter is being heard in the United States Bankruptcy Court for the Western District of Washington in Case Number 12-10808-MLB.

(m) List of Current Employees & Contractors, Base Compensation and Annual Leave

Vadium currently has no active employees, all of its employees have been furloughed.

**EXHIBIT 8(a)(iii)**

**ASSUMPTION AGREEMENT**

AlphaCipher Acquisition Corporation, a Washington corporation (“Buyer”), pursuant to the Asset Purchase Agreement dated as of May 10, 2012 (the “Agreement”) between Buyer and Vadium Technology, Inc., a Washington corporation (“Seller”), and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby assume and accept responsibility for the full and timely performance and satisfaction of the Assumed Liabilities listed on Schedule I hereto.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

IN WITNESS WHEREOF, Buyer has caused this Assumption Agreement to be duly executed and delivered on its behalf to Seller on this \_\_\_ day of \_\_\_\_\_, 2012.

**ALPHACIPHER ACQUISITION CORPORATION**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## SCHEDULE I

(1) All rights of the Company to enforce the “Employee IP Agreements” and the “Work For Hire Agreements” between Seller and its current and former employees and consultants, as specifically listed on the Disclosure Schedule (except that Buyer is not assuming any payment or financial obligations thereunder);

(2) Each of the following:

[TO BE DETERMINED]

All the foregoing known collectively as the “Assumed Liabilities”.

**EXHIBIT 8(b)(i)**

**BILL OF SALE**

VADIUM TECHNOLOGY, INC., a Washington corporation (“Seller”), pursuant to the Asset Purchase Agreement dated as of May 10, 2012 (the “Agreement”) between Seller and AlphaCipher Acquisition Corporation, a Washington corporation (“Buyer”), and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby sell, convey, assign, transfer and deliver to Buyer and its successors and assigns all of Seller’s right, title and interest in and to the Acquired Assets listed on Schedule I hereto, such Assets to be held by and for the use of Buyer and its successors and assigns now and forever.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be duly executed and delivered on its behalf to Buyer on this \_\_\_\_ day of \_\_\_\_\_, 2012.

**VADIUM TECHNOLOGY, INC.**

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## SCHEDULE I

All of Seller's right, title and interest in and to the following assets:

1. All of the accounts receivable of Seller.
2. All of the Customer Contracts and any other agreements and commitments relating to the Acquired Business that is an Assumed Liability.
4. All Intellectual Property Assets, including any existing registrations or applications therefore, related to the Acquired Business, and all goodwill associated therewith.
4. All of Seller's databases, publications, products and services (including published and unpublished), including, without limitation, the products known as "AlphaCipher".
5. All of Seller's work in process and under development.
6. All of Seller's right, title and interest in Vadium Voice Communications, LLC.
7. All artwork, photographs, illustrations and diagrams relating to the Acquired Business.
8. All of Seller's databases, software and systems of the Acquired Business (including without limitation, the product known as AlphaCipher). Software shall include the current source code and object code versions of the software and all product and technical documentation relating to such software.
9. All of Seller's promotional and advertising materials relating to the Acquired Business.
10. All correspondence, records and files of Seller, including all editorial, sales, promotion, market research, and other files relating to the Acquired Business, excluding Seller's financial records and books of account.

11. All of Seller's customer and subscriber lists and files used by Seller in connection with the Acquired Business.

12. All of Seller's domain names and World Wide Web sites related to the Acquired Business, all of which are listed in the Disclosure Schedule.

13. All of Seller's hardware, computers, machinery, technology, office equipment and other personal property that are used in the Acquired Business, other than those items of equipment and personal property leased pursuant to an agreement not assumed by Buyer as an Assumed Liability.

[TO BE DETERMINED]

All the foregoing known collectively as the "Acquired Assets".