

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

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### FILER

#### **SYSCAN IMAGING INC**

CIK: **1096857** | IRS No.: **593134518** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **8-K** | Act: **34** | File No.: **000-27773** | Film No.: **05790919**  
SIC: **7372** Prepackaged software

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1754 TECHNOLOGY DRIVE  
SAN JOSE CA 95110

Business Address  
1754 TECHNOLOGY DRIVE  
SAN JOSE CA 95110  
408-436-9888

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): MAY 2, 2005 (APRIL 26, 2005)

SYSCAN IMAGING, INC.  
(Exact name of Registrant as Specified in its Charter)

DELAWARE  
(State or Other Jurisdiction of Incorporation)

000-27773  
(Commission File Number)

59-3134518  
(I.R.S. Employer Identification Number)

1772 TECHNOLOGY DRIVE  
SAN JOSE, CALIFORNIA 95110  
(Address of Principal Executive Offices, including Zip Code)

(408) 436-9888  
(Registrant's Telephone Number, including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

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

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).  Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).

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

Pre-commencement communications pursuant to Rule 13e-4(c) under the

### ITEM 3.02. UNREGISTERED SALES OF EQUITY SECURITIES

See Item 8.01 of this Current Report on Form 8-K, which Item is incorporated herein by this reference, for a description of the terms of the non-qualified options to purchase shares of the Company's common stock issued to the Company's executive officers in connection with the execution of employment agreements with such individuals.

Additionally, the Company issued an aggregate of 400,000 options exercisable at \$0.01 per share to two of its key employees in connection with the execution of employment agreements with such individuals. One-third of such options vest on April 26, 2005, one-third shall vest on April 3, 2006 and one-third shall vest on April 2, 2007.

### ITEM 8.01. OTHER EVENTS

On February 16, 2005, the independent members of the Company's board of directors approved employment agreements and stock options issuances for each of the following executive officers of the Company: Darwin Hu, Chief Executive Officer, William Hawkins, Chief Operating Officer, and David Clark, Vice President of Business Development. In connection with the entry of such employment agreements, each individual was granted options to purchase shares of the Company's common stock at an exercise price of \$0.01 per share, as previously disclosed in the Company's Form 10-KSB as filed with the Securities and Exchange Commission on March 31, 2005. Below is a brief description of the material terms of each such employment agreement, a copy of all such employment agreements are attached hereto as exhibits 10.5 through 10.7.

Darwin Hu, Chief Executive Officer. On April 26, 2005, the Company entered into an employment agreement with Darwin Hu as Chief Executive Officer, the terms of which were previously approved by the independent members of the Company's board of directors. The agreement provides for an initial term of three years, an annual salary to Mr. Hu of \$200,000 and an annual bonus to be determined by the Company's board of directors. In connection with the agreement, Mr. Hu was issued non-qualified options to purchase up to 1,500,000 shares of the Company's common stock at an exercise price of \$0.01 per share. One-third of the options shall vest on the date of execution of the employment agreement, one-third shall vest on April 3, 2006 and one-third shall vest on April 2, 2007. The agreement also provides for the executive's ability to participate in the Company's health insurance program. In the event that Mr. Hu's employment is terminated other

than with good cause, he will receive a payment of the lesser of his then remaining salary due pursuant to the employment agreement or six months of base salary at his then current annual salary. The agreement also includes a non-competition provision whereby for a period of one-year after the termination of the agreement, other than without cause by the Company, Mr. Hu has agreed not to compete directly or indirectly with the Company's business. In addition, Mr. Hu has agreed that for a period of one year from the date of termination of his employment agreement with the Company he will not contact or solicit any of the Company's customers, employees or suppliers.

William Hawkins, Chief Operating Officer. On April 26, 2005, the Company entered into an employment agreement with William Hawkins as Chief Operating Officer, the terms of which were previously approved by the independent members of the Company's board of directors. The agreement provides for an initial term of three years, an annual salary to Mr. Hawkins of \$160,000 and an annual bonus to be determined by the Company's board of directors. In connection with the agreement, Mr. Hawkins was issued non-qualified options to purchase up to 1,000,000 shares of the Company's common stock at an exercise price of \$0.01 per share. One-third of the options shall vest on the date of execution of the employment agreement, one-third shall vest on April 3, 2006 and one-third shall vest on April 2, 2007. The agreement also provides for the executive's ability to participate in the Company's health insurance program. In the event that Mr. Hawkins' employment is terminated other than with good cause, he will receive a payment of the lesser of his then remaining salary due pursuant to the employment agreement or six months of base salary at his then current annual salary. The agreement also includes a non-competition provision whereby for a period of one-year after the termination of the agreement, other than without cause by the Company, Mr. Hawkins has agreed not to compete directly or indirectly with the Company's business. In addition, Mr. Hawkins has agreed that for a period of one year from the date of termination of his employment agreement with the Company he will not contact or solicit any of the Company's customers, employees or suppliers.

David Clark, Senior Vice President of Business Development. On April 26, 2005, the Company entered into an employment agreement with David Clark as Senior Vice President of Business Development, the terms of which were previously approved by the independent members of the Company's board of directors. The agreement provides for an initial term of three years, an annual salary to Mr. Clark of \$150,000 and an annual bonus to be determined by the Company's board of directors. In connection with the agreement, Mr. Clark was issued non-qualified options to purchase up to 800,000 shares of the Company's common stock at an exercise price of \$0.01 per share. One-third of the options shall vest on the date of execution of the employment agreement, one-third shall vest on April 3, 2006 and one-third shall vest on April 2, 2007. The agreement also provides for the executive's ability to participate in the Company's health insurance program. In the event that Mr. Clark's employment is terminated other than with

good cause, he will receive a payment of the lesser of his then remaining salary due pursuant to the employment agreement or six months of base salary at his then current annual salary. The agreement also includes a non-competition provision whereby for a period of one-year after the termination of the agreement, other than without cause by the Company, Mr. Clark has agreed not to compete directly or indirectly with the Company's business. In addition, Mr. Clark has agreed that for a period of one year from the date of termination of his employment agreement with the Company he will not contact or solicit any of the Company's customers, employees or suppliers.

#### ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

Set forth below is a list of Exhibits included as part of this Current Report.

- 10.5 Employment Agreement dated April 26, 2005 between the Company and Darwin Hu
- 10.6 Employment Agreement dated April 26, 2005 between the Company and William Hawkins
- 10.7 Employment Agreement dated April 26, 2005 between the Company and David Clark

This Current Report on Form 8-K may contain, among other things, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, (i) statements with respect to the Company's plans, objectives, expectations and intentions; and (ii) other statements identified by words such as "may", "could", "would", "should", "believes", "expects", "anticipates", "estimates", "intends", "plans" or similar expressions. These statements are based upon the current beliefs and expectations of the Company's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These forward-looking statements involve certain risks and uncertainties that are subject to change based on various factors (many of which are beyond the Company's control).

#### SIGNATURES

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

Date: May 2, 2005

By: /s/ Darwin Hu

-----  
Darwin Hu, Chief Executive Officer

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT ("Agreement") made as of this 26th day of April, 2005 by and between Syscan Imaging, Inc., a Delaware corporation, having an office at 1772 Technology Drive, (hereinafter referred to as "Employer") and DARWIN HU, an individual residing at 761 Harry Rd., San Jose, CA 95120 (hereinafter referred to as "Employee");

W I T N E S S E T H:

WHEREAS, Employer employs directly or through a co-employment agreement with a Professional Employer Organization (PEO) licensed in the State of California, and desires to continue to employ, Employee as President and CEO of Employer; and

WHEREAS, Employee is willing to continue to be employed as the President and CEO in the manner provided for herein, and to perform the duties of the President and CEO of Employer upon the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the promises and mutual covenants herein set forth it is agreed as follows:

1. EMPLOYMENT OF PRESIDENT AND CEO. Employer hereby employs Employee as President and CEO.

2. TERM.

a. Subject to Section 9 and Section 10 below, the term of this Agreement shall be for a period of thirty-six (36) months commencing on April 25, 2005 (the Term). The Term of this Agreement shall be automatically extended for additional one (1) year periods, unless either party notifies the other in writing at least ninety (90) days prior to the expiration of the then existing Term of its intention not to extend the Term. During the Term, Employee shall devote substantially all of his business time and efforts to Employer and its subsidiaries and affiliates.

3. DUTIES. The Employee shall perform those functions generally performed by persons of such title and position, shall attend all meetings of the stockholders and the Board, shall perform any and all related duties and shall have any and all powers as may be prescribed by resolution of the Board, and shall be available to confer and consult with and advise the officers and directors of Employer at such times that may be required by

Employer. Employee shall report directly and solely to the Board.

4. COMPENSATION.

a. (i) Employee shall be paid a base pay of \$200,000 per year during the Term of this Agreement. Employee shall be paid periodically in accordance with the policies of the Employer during the term of this Agreement, but not less than monthly.

(ii) Employee is eligible for an annual bonus, if any, which will be determined and paid in accordance with policies set from time to time by the compensation committee of the Board.

b. Employer shall grant Employee 1,500,000 options ("Options") to purchase shares of the Company's common stock at an exercise price of \$0.01 per share for a period of seven (7) years, upon execution of this Agreement. The Options shall vest as follows: (i) one-third on April 4, 2005; (ii) one-third on April 3, 2006; and (iii) one-third on April 2, 2007.

c. Employer shall include Employee in its health insurance program, payment of premiums in accordance with company policy.

d. Employee shall have the right to participate in any other employee benefit plans established by Employer and PEO.

e. (i) In the event of a "Change of Control" whereby:

(A) A person (other than a person who is an officer or a Director of Employer on the effective date hereof), including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, after execution of this Agreement becomes, or obtains the right to become, the beneficial owner of Employer securities having 30% or more of the combined voting power of then outstanding securities of the Employer that may be cast for the election of directors of the Employer;

(B) At any time, a majority of the Board-nominated slate of candidates for the Board is not elected;

(C) Employer consummates a merger in which it is not the surviving entity;

(D) Substantially all Employer's assets are sold; or

(E) Employer's stockholders approve the dissolution or liquidation of Employer; then

(ii) All stock options and warrants ("Rights") granted by Employer to Employee under any plan or otherwise prior to the effective date of the Change of Control, shall become vested, accelerate and become immediately exercisable; any time within twelve months after the effective date of the change of control, adjusted for any stock splits and capital reorganizations having a similar effect, subsequent to the effective date hereof. In the event Employee owns or is entitled to receive any unregistered securities of Employer, then Employer shall use its best efforts to effect the registration of all such securities as soon as practicable, but no later than 120 days after the Change of Control; provided, however, that such period may be extended or delayed by Employer for one period of up to 60 days if, upon the advice of counsel at the time such registration is required to be filed, or at the time Employer is required to exercise its best efforts to cause such registration statement to become effective, such delay is advisable and in the best interests of Employer because of the existence of non-public material information, or to allow Employer to complete any pending audit of its financial statements.

5. EXPENSES. Employee shall be reimbursed for all of his actual out-of-pocket expenses incurred in the performance of his duties hereunder, provided such expenses are acceptable to Employer, which approval shall not be unreasonably withheld, for business related travel and entertainment expenses, and that Employee shall submit to Employer detailed receipts, according to IRS guidelines, with respect thereto.

6. VACATION. Employee shall be entitled to receive four (4) weeks paid vacation time during each year of employment with dates agreed upon by Employer. Vacation time may not be accrued beyond the end of the calendar year. In the event of separation of employment, for any reason, vacation time accrued and not used, in that calendar year, shall be paid at the salary rate of Employee in effect at the time of employment separation.

7. SECRECY. At no time shall Employee disclose to anyone any confidential or secret information (not already constituting information available to the public) concerning (a) internal affairs or proprietary business operations of Employer or (b) any trade secrets, new product developments, patents, programs or programming, especially unique processes or methods.

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8. COVENANT NOT TO COMPETE.

(a) Subject to, and limited by, Section 10(b), Employee will not, at any time, during the term of this Agreement, and for one (1) year thereafter, either directly or indirectly, engage in, with or for any enterprise, institution, whether or not for profit, business, or company, competitive with the business (as identified herein) of Employer as such business may be

conducted on the date thereof, as a creditor, guarantor, or financial backer, stockholder, director, officer, consultant, advisor, employee, member, inventor, producer, director, or otherwise of or through any corporation, partnership, association, sole proprietorship or other entity; provided, that an investment by Employee, his spouse or his children is permitted if such investment is not more than four percent (4%) of the total debt or equity capital of any such competitive enterprise or business and further provided that said competitive enterprise or business is a publicly held entity whose stock is listed and traded on a national stock exchange or through the NASDAQ Stock Market. As used in this Agreement, the business of Employer shall be deemed to include the manufacturing and marketing of imaging systems.

(b) For a period one year from the date of termination of this agreement Employee shall not contact or solicit any of the Companies customers, employees or suppliers.

(c) During the entire time of employment, any outside consulting (paid or unpaid), employment, business venture or compensated activities must receive the written approval of the employee compensation committee, established by the board of directors, or any other committee of the board of directors serving such function.

## 9. TERMINATION.

### A. TERMINATION BY EMPLOYER

(i) Employer may terminate this Agreement upon written notice for Cause. For purposes hereof, "Cause" shall mean (A) Employee's misconduct as could reasonably be expected to have a material adverse effect on the business and affairs of Employer, (B) the Employee's disregard of lawful instructions of Employers Board of Directors consistent with Employee's position relating to the business of Employer or neglect of duties or failure to act, which, in each case, could reasonably be expected to have a material adverse effect on the business and affairs of Employer, (C) engaging by the Employee in conduct that constitutes activity in competition with Employer, including any unapproved activities identified in section 8(c) of this agreement; (D) the conviction of Employee for the commission of a felony; and/or (E) the habitual abuse of alcohol or controlled substances. Notwithstanding anything to the contrary in this Section 9(a)(i), Employer may not terminate Employee's employment under this Agreement for Cause unless Employee shall have first received notice from the Board advising Employee of the specific acts or omissions alleged to constitute Cause, and such acts or omissions continue after Employee shall have had a reasonable opportunity (at least 10 days from the date Employee receives the notice from the Board) to correct the acts or omissions so complained of. In no event shall alleged incompetence of Employee in the performance of Employee's duties be deemed grounds for termination for Cause.

(ii) This agreement automatically shall terminate upon the death of Employee, except that Employee's estate shall be entitled to receive any amount accrued under Section

4(a).

b. TERMINATION BY EMPLOYEE

(i) Employee shall have the right to terminate his employment under this Agreement upon 30 days' notice to Employer given within 90 days following the occurrence of any of the following events (A) through (F) or within three years following the occurrence of event (G):

(A) Employee is not appointed or retained as President and CEO (or a substantially similar position).

(B) Employer acts to materially reduce Employee's duties and responsibilities hereunder. Employee's duties and responsibilities shall not be deemed materially reduced for purposes hereof solely by virtue of the fact that Employer is (or substantially all of its assets are) sold to, or is combined with, another entity, provided that Employee shall continue to have the same duties and responsibilities with respect to Employer's business, and Employee shall report directly to the board of directors of the entity (or individual) that acquires Employer or its assets.

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(C) Employer acts to change the geographic location of the performance of Employee's duties from the San Jose area. For purposes of this Agreement, the San Jose area shall be deemed to be the area within 60 miles of San Jose, California.

(D) A Material Reduction (as hereinafter defined) in Employee's rate of base compensation, or Employee's other benefits. "Material Reduction" shall mean a ten percent (10%) differential;

(E) A failure by Employer to obtain the assumption of this Agreement by any successor;

(F) A material breach of this Agreement by Employer, which is not cured within thirty (30) days of written notice of such breach by Employer;

(G) A Change of Control.

(ii) Anything herein to the contrary notwithstanding, Employee may terminate this Agreement upon thirty (30) days written notice to Employer.

(iii) If Employee shall terminate this Agreement under Section 9(b)(i), Employee shall be entitled to receive the lesser of: (a) the remaining salary due to Employee under this Agreement, or (b) six (6) months salary, at his then current yearly salary rate, (the SEVERANCE PAYMENT), and Employer shall pay 100% of the C.O.B.R.A. premiums for six (6) months after such termination. Other than the Severance Payment and the payment of C.O.B.R.A. premiums described in this section 9(b)(iii), Employer shall have no further obligation to compensate Employee pursuant to Section 4 above. If Employee shall terminate this Agreement pursuant to Section 9(b)(ii), Employee shall not be entitled to the Severance Payment or any additional compensation as provided in Section 4.

C. TERMINATION BY BOARD OF DIRECTORS ACTIONS DUE TO ECONOMIC HARDSHIP OF THE EMPLOYER.

(i) In the event the Employer, under direction from its board of directors due to financial distress, is required to take actions that may effect any or all of the Section 9,b,i events (A) through (F), the employee will waive any right to claim Severance Payments under the provisions of Section(s) 4 or 9(b).

(ii) Within thirty (30) days of such board action, Employee may voluntarily terminate this Agreement with written notice to Employer.

(iii) If Employee shall terminate this Agreement under Section 9(c)(ii), Employee shall be entitled to receive: (a) three (3) months salary, at the annual salary rate set forth in section 4(a), (the SEVERANCE PAYMENT), and Employer shall pay 100% of the C.O.B.R.A. premiums for three (3) months after such termination. Other than the Severance Payment and the payment of C.O.B.R.A. premiums described in this section 9(c)(iii), Employer shall have no further obligation to compensate Employee pursuant to Section(s) 4 or 9(b)above. If Employee shall terminate this Agreement pursuant to Section 9(c)(iii), Employee shall not be entitled to the Severance Payment or any additional compensation as provided in Section 4 or 9(b)above.

10. CONSEQUENCES OF BREACH BY EMPLOYER;  
EMPLOYMENT TERMINATION

a. If the Employer shall terminate Employee's employment under this Agreement in any way that is a breach of this Agreement by Employer, the following shall apply:

(i) Employee shall be entitled to receive the Severance Payment, and Employer shall pay 100% of the C.O.B.R.A. premiums for twelve (12) months after such termination. Other than the Severance Payment and the payment of C.O.B.R.A. premiums described, Employer shall have no further obligation to compensate Employee pursuant to Section(s) 4 or 9 above; and

(ii) Employee shall be entitled to payment of any previously declared bonus as provided in Section 4(a) above.

b. In the event of termination of Employee's employment pursuant to Section 9(b)(i) of this Agreement, Sections 8(a) and 8(b) shall apply to Employee for the number of months remaining under this Agreement at the time of termination plus a period of six (6) months thereafter.

#### 11. REMEDIES

Employer recognizes that because of Employee's special talents, stature and opportunities in the imaging industry, and because of the special creative nature of and compensation practices of said industry and the material impact that individual projects can have on the Company's results of operations, in the event of termination by Employer hereunder (except under Section 9(a)(i) or (iii), or in the event of termination by Employee under Section 9(b)(i) before the end of the agreed term, the Employer acknowledges and agrees that the provisions of this Agreement regarding further payments of base salary, bonuses and the exercisability of Rights constitute fair and reasonable provisions for the consequences of such termination, do not constitute a penalty, and such payments and benefits shall not be limited or reduced by amounts' Employee might earn or be able to earn from any other employment or ventures during the remainder of the agreed term of this Agreement.

12. EXCISE TAX. In the event that any payment or benefit received or to be received by Employee in connection with a termination of his employment with Employer would constitute a "parachute payment" within the meaning of Code Section 280G or any similar or successor provision to 280G and/or would be subject to any excise tax imposed by Code Section 4999 or any similar or successor provision then Employer shall assume all liability for the payment of any such tax and Employer shall immediately reimburse Employee on a "grossed-up" basis for any income taxes attributable to Employee by reason of such Employer payment and reimbursements.

13. ATTORNEYS' FEES AND COSTS. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which he may be entitled.

14. ENTIRE AGREEMENT; SURVIVAL. This Agreement contains the entire agreement between the parties with respect to the transactions

contemplated herein and supersedes, effective as of the date hereof any prior agreement or understanding between Employer and Employee with respect to Employee's employment by Employer. The unenforceability of any provision of this Agreement shall not effect the enforceability of any other provision. This Agreement may not be amended except by an agreement in writing signed by the Employee and the Employer, or any waiver, change, discharge or modification as sought. Waiver of or failure to exercise any rights provided by this Agreement and in any respect shall not be deemed a waiver of any further or future rights.

b. The provisions of Sections 4, 7, 8, 9(a)(ii), 9(b)(iii), 10, 11, 12, 14, 16, 17 and 18 shall survive the termination of this Agreement.

15. ASSIGNMENT. This Agreement shall not be assigned to other parties.

16. GOVERNING LAW. This Agreement and all the amendments hereof, and waivers and consents with respect thereto shall be governed by the laws of the State of California, without regard to the conflicts of laws principles thereof.

17. NOTICES. All notices, responses, demands or other communications under this Agreement shall be in writing and shall be deemed to have been given when

a. delivered by hand;

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b. sent by telex or telefax, (with receipt confirmed), provided that a copy is mailed by registered or certified mail, return receipt requested; or

c. received by the addressee as sent by express delivery service (receipt requested) in each case to the appropriate addresses, telex numbers and telefax numbers as the party may designate to itself by notice to the other parties:

(i) if to the Employer: Syscan Imaging, Inc. 1772 Technology Drive San Jose, CA 95110 Telefax: (408)-490-2801 Telephone: (408)-436-9888

(ii) if to the Employee: Harry Rd., San Jose, CA 95120

18. SEVERABILITY OF AGREEMENT. Should any part of this

Agreement for any reason be declared invalid by a court of competent jurisdiction, such decision shall not affect the validity of any remaining portion, which remaining provisions shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portions of this Agreement without including any such part, parts or portions which may, for any reason, be hereafter declared invalid.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the undersigned have executed this agreement as of the day and year first above written.

EMPLOYEE

Signature: /s/ Darwin Hu  
-----

Printed Name: Darwin Hu

Date: April 26, 2005

SYSCAN IMAGING, INC.

By: /s/ William Hawkins  
-----

Name: William Hawkins

Title: Chief Operating Officer and Secretary

Date: April 26, 2005

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EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT ("Agreement") made as of this 26th day of April, 2005 by and between Syscan Imaging, Inc., a Delaware corporation, having an office at 1772 Technology Drive, (hereinafter referred to as "Employer") and WILLIAM HAWKINS, an individual residing at 5248 Saint Anne's Ct., San Jose, California 95138 (hereinafter referred to as "Employee");

W I T N E S S E T H:

WHEREAS, Employer employs directly or through a co-employment agreement with a Professional Employer Organization (PEO) licensed in the State of California, and desires to continue to employ, Employee as Chief Operating Officer of Employer; and

WHEREAS, Employee is willing to continue to be employed as the Chief Operating Officer in the manner provided for herein, and to perform the duties of the Chief Operating Officer of Employer upon the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the promises and mutual covenants herein set forth it is agreed as follows:

1. EMPLOYMENT OF CHIEF OPERATING OFFICER. Employer hereby employs Employee as Chief Operating Officer.

2. TERM.

a. Subject to Section 9 and Section 10 below, the term of this Agreement shall be for a period of thirty-six (36) months commencing on March April 25th , 2005 (the Term). The Term of this Agreement shall be automatically extended for additional one (1) year periods, unless either party notifies the other in writing at least ninety (90) days prior to the expiration of the then existing Term of its intention not to extend the Term. During the Term, Employee shall devote substantially all of his business time and efforts to Employer and its subsidiaries and affiliates.

3. DUTIES. The Employee shall perform those functions generally performed by persons of such title and position, shall attend all meetings of the stockholders and the Board, shall perform any and all related duties and shall have any and all powers as may be prescribed by resolution of the Board, and shall be available to confer and consult with and advise the officers and directors of Employer at such times that may be required by

Employer. Employee shall report directly and solely to the Board.

4. COMPENSATION.

a. (i) Employee shall be paid a base pay of \$160,000 per year during the Term of this Agreement. Employee shall be paid periodically in accordance with the policies of the Employer during the term of this Agreement, but not less than monthly.

(ii) Employee is eligible for an annual bonus, if any, which will be determined and paid in accordance with policies set from time to time by the compensation committee of the Board.

b. Employer shall grant Employee 1,000,000 options ("Options") to purchase shares of the Company's common stock at an exercise price of \$0.01 per share for a period of seven (7) years, upon execution of this Agreement. The Options shall vest as follows: (i) one-third on April 4, 2005; (ii) one-third on April 3, 2006; and (iii) one-third on April 2, 2007.

c. Employer shall include Employee in its health insurance program, payment of premiums in accordance with company policy.

d. Employee shall have the right to participate in any other employee benefit plans established by Employer and PEO.

e. (i) In the event of a "Change of Control" whereby:

(A) A person (other than a person who is an officer or a Director of Employer on the effective date hereof), including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, after execution of this Agreement becomes, or obtains the right to become, the beneficial owner of Employer securities having 30% or more of the combined voting power of then outstanding securities of the Employer that may be cast for the election of directors of the Employer;

(B) At any time, a majority of the Board-nominated slate of candidates for the Board is not elected;

(C) Employer consummates a merger in which it is not the surviving entity;

(D) Substantially all Employer's assets are sold; or

(E) Employer's stockholders approve the dissolution or liquidation of Employer; then

(ii) All stock options and warrants ("Rights") granted by Employer to Employee under any plan or otherwise prior to the effective date of the Change of Control, shall become vested, accelerate and become immediately exercisable; any time within twelve months after the effective date of the change of control, adjusted for any stock splits and capital reorganizations having a similar effect, subsequent to the effective date hereof. In the event Employee owns or is entitled to receive any unregistered securities of Employer, then Employer shall use its best efforts to effect the registration of all such securities as soon as practicable, but no later than 120 days after the Change of Control; provided, however, that such period may be extended or delayed by Employer for one period of up to 60 days if, upon the advice of counsel at the time such registration is required to be filed, or at the time Employer is required to exercise its best efforts to cause such registration statement to become effective, such delay is advisable and in the best interests of Employer because of the existence of non-public material information, or to allow Employer to complete any pending audit of its financial statements.

5. EXPENSES. Employee shall be reimbursed for all of his actual out-of-pocket expenses incurred in the performance of his duties hereunder, provided such expenses are acceptable to Employer, which approval shall not be unreasonably withheld, for business related travel and entertainment expenses, and that Employee shall submit to Employer detailed receipts, according to IRS guidelines, with respect thereto.

6. VACATION. Employee shall be entitled to receive four (4) weeks paid vacation time during each year of employment with dates agreed upon by Employer. Vacation time may not be accrued beyond the end of the calendar year. In the event of separation of employment, for any reason, vacation time accrued and not used, in that calendar year, shall be paid at the salary rate of Employee in effect at the time of employment separation.

7. SECRECY. At no time shall Employee disclose to anyone any confidential or secret information (not already constituting information available to the public) concerning (a) internal affairs or proprietary business operations of Employer or (b) any trade secrets, new product developments, patents, programs or programming, especially unique processes or methods.

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8. COVENANT NOT TO COMPETE.

(a) Subject to, and limited by, Section 10(b), Employee will not, at any time, during the term of this Agreement, and for one (1) year thereafter, either directly or indirectly, engage in, with or for any enterprise, institution, whether or not for profit, business, or company, competitive with the business (as identified herein) of Employer as such business may be conducted on the date thereof, as a creditor, guarantor, or financial backer, stockholder, director, officer, consultant, advisor, employee, member, inventor, producer, director, or otherwise of or through any corporation, partnership, association, sole proprietorship or other entity; provided, that an investment by Employee, his spouse or his children is permitted if such investment is not more than four percent (4%) of the total debt or equity capital of any such competitive enterprise or business and further provided that said competitive enterprise or business is a publicly held entity whose stock is listed and traded on a national stock exchange or through the NASDAQ Stock Market. As used in this Agreement, the business of Employer shall be deemed to include the manufacturing and marketing of imaging systems.

(b) For a period one year from the date of termination of this agreement Employee shall not contact or solicit any of the Companies customers, employees or suppliers.

(c) During the entire time of employment, any outside consulting (paid or unpaid), employment, business venture or compensated activities must receive the written approval of the employee compensation committee, established by the board of directors, or any other committee of the board of directors serving such function.

## 9. TERMINATION.

### a. TERMINATION BY EMPLOYER

(i) Employer may terminate this Agreement upon written notice for Cause. For purposes hereof, "Cause" shall mean (A) Employee's misconduct as could reasonably be expected to have a material adverse effect on the business and affairs of Employer, (B) the Employee's disregard of lawful instructions of Employers Board of Directors consistent with Employee's position relating to the business of Employer or neglect of duties or failure to act, which, in each case, could reasonably be expected to have a material adverse effect on the business and affairs of Employer, (C) engaging by the Employee in conduct that constitutes activity in competition with Employer, including any unapproved activities identified in section 8(c) of this agreement; (D) the conviction of Employee for the commission of a felony; and/or (E) the habitual abuse of alcohol or controlled substances. Notwithstanding anything to the contrary in this Section 9(a)(i), Employer may not terminate Employee's employment under this Agreement for Cause unless Employee shall have first received notice from the Board advising Employee of the specific acts or omissions alleged to constitute Cause, and such acts or omissions continue after Employee shall have had a reasonable opportunity (at least 10 days from the date Employee receives the notice from the Board) to correct the acts or omissions so complained of. In no event shall

alleged incompetence of Employee in the performance of Employee's duties be deemed grounds for termination for Cause.

(ii) This agreement automatically shall terminate upon the death of Employee, except that Employee's estate shall be entitled to receive any amount accrued under Section 4(a).

b. TERMINATION BY EMPLOYEE

(i) Employee shall have the right to terminate his employment under this Agreement upon 30 days' notice to Employer given within 90 days following the occurrence of any of the following events (A) through (F) or within three years following the occurrence of event (G):

(A) Employee is not appointed or retained as Vice President and COO (or a substantially similar position).

(B) Employer acts to materially reduce Employee's duties and responsibilities hereunder. Employee's duties and responsibilities shall not be deemed materially reduced for purposes hereof solely by virtue of the fact that Employer is (or substantially all of its assets are) sold to, or is combined with, another entity, provided that Employee shall continue to have the same duties and responsibilities with respect to Employer's business, and Employee shall report directly to the board of directors of the entity (or individual) that acquires Employer or its assets.

-3-

(C) Employer acts to change the geographic location of the performance of Employee's duties from the San Jose area. For purposes of this Agreement, the San Jose area shall be deemed to be the area within 60 miles of San Jose, California.

(D) A Material Reduction (as hereinafter defined) in Employee's rate of base compensation, or Employee's other benefits. "Material Reduction" shall mean a ten percent (10%) differential;

(E) A failure by Employer to obtain the assumption of this Agreement by any successor;

(F) A material breach of this Agreement by Employer, which is not cured within thirty (30) days of written notice of such breach by Employer;

(ii) Anything herein to the contrary notwithstanding, Employee may terminate this Agreement upon thirty (30) days written notice to Employer.

(iii) If Employee shall terminate this Agreement under Section 9(b)(i), Employee shall be entitled to receive the lesser of: (a) the remaining salary due to Employee under this Agreement, or (b) six (6) months salary, at his then current yearly salary rate, (the SEVERANCE PAYMENT), and Employer shall pay 100% of the C.O.B.R.A. premiums for six (6) months after such termination. Other than the Severance Payment and the payment of C.O.B.R.A. premiums described in this section 9(b)(iii), Employer shall have no further obligation to compensate Employee pursuant to Section 4 above. If Employee shall terminate this Agreement pursuant to Section 9(b)(ii), Employee shall not be entitled to the Severance Payment or any additional compensation as provided in Section 4.

C. TERMINATION BY BOARD OF DIRECTORS ACTIONS DUE TO ECONOMIC HARDSHIP OF THE EMPLOYER.

(i) In the event the Employer, under direction from its board of directors due to financial distress, is required to take actions that may effect any or all of the Section 9,b,i events (A) through (F), the employee will waive any right to claim Severance Payments under the provisions of Section(s) 4 or 9(b).

(ii) Within thirty (30) days of such board action, Employee may voluntarily terminate this Agreement with written notice to Employer.

(iii) If Employee shall terminate this Agreement under Section 9(c)(ii), Employee shall be entitled to receive: (a) three (3) months salary, at the annual salary rate set forth in section 4(a), (the SEVERANCE PAYMENT), and Employer shall pay 100% of the C.O.B.R.A. premiums for three (3) months after such termination. Other than the Severance Payment and the payment of C.O.B.R.A. premiums described in this section 9(c)(iii), Employer shall have no further obligation to compensate Employee pursuant to Section(s) 4 or 9(b)above. If Employee shall terminate this Agreement pursuant to Section 9(c)(iii), Employee shall not be entitled to the Severance Payment or any additional compensation as provided in Section 4 or 9(b)above.

10. CONSEQUENCES OF BREACH BY EMPLOYER;  
EMPLOYMENT TERMINATION

a. If the Employer shall terminate Employee's employment under this Agreement in any way that is a breach of this Agreement by Employer, the following shall apply:

(i) Employee shall be entitled to receive

the Severance Payment, and Employer shall pay 100% of the C.O.B.R.A. premiums for twelve (12) months after such termination. Other than the Severance Payment and the payment of C.O.B.R.A. premiums described, Employer shall have no further obligation to compensate Employee pursuant to Section(s) 4 or 9 above; and

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(ii) Employee shall be entitled to payment of any previously declared bonus as provided in Section 4(a) above.

b. In the event of termination of Employee's employment pursuant to Section 9(b) (i) of this Agreement, Sections 8(a) and 8(b) shall apply to Employee for the number of months remaining under this Agreement at the time of termination plus a period of six (6) months thereafter.

#### 11. REMEDIES

Employer recognizes that because of Employee's special talents, stature and opportunities in the imaging industry, and because of the special creative nature of and compensation practices of said industry and the material impact that individual projects can have on the Company's results of operations, in the event of termination by Employer hereunder (except under Section 9(a) (i) or (iii), or in the event of termination by Employee under Section 9(b) (i) before the end of the agreed term, the Employer acknowledges and agrees that the provisions of this Agreement regarding further payments of base salary, bonuses and the exercisability of Rights constitute fair and reasonable provisions for the consequences of such termination, do not constitute a penalty, and such payments and benefits shall not be limited or reduced by amounts' Employee might earn or be able to earn from any other employment or ventures during the remainder of the agreed term of this Agreement.

12. EXCISE TAX. In the event that any payment or benefit received or to be received by Employee in connection with a termination of his employment with Employer would constitute a "parachute payment" within the meaning of Code Section 280G or any similar or successor provision to 280G and/or would be subject to any excise tax imposed by Code Section 4999 or any similar or successor provision then Employer shall assume all liability for the payment of any such tax and Employer shall immediately reimburse Employee on a "grossed-up" basis for any income taxes attributable to Employee by reason of such Employer payment and reimbursements.

13. ATTORNEYS' FEES AND COSTS. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and

necessary disbursements in addition to any other relief to which he may be entitled.

14. ENTIRE AGREEMENT; SURVIVAL. This Agreement contains the entire agreement between the parties with respect to the transactions contemplated herein and supersedes, effective as of the date hereof any prior agreement or understanding between Employer and Employee with respect to Employee's employment by Employer. The unenforceability of any provision of this Agreement shall not effect the enforceability of any other provision. This Agreement may not be amended except by an agreement in writing signed by the Employee and the Employer, or any waiver, change, discharge or modification as sought. Waiver of or failure to exercise any rights provided by this Agreement and in any respect shall not be deemed a waiver of any further or future rights.

b. The provisions of Sections 4, 7, 8, 9(a) (ii), 9(b) (iii), 10, 11, 12, 14, 16, 17 and 18 shall survive the termination of this Agreement.

15. ASSIGNMENT. This Agreement shall not be assigned to other parties.

16. GOVERNING LAW. This Agreement and all the amendments hereof, and waivers and consents with respect thereto shall be governed by the laws of the State of California, without regard to the conflicts of laws principles thereof.

17. NOTICES. All notices, responses, demands or other communications under this Agreement shall be in writing and shall be deemed to have been given when

a. delivered by hand;

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b. sent by telex or telefax, (with receipt confirmed), provided that a copy is mailed by registered or certified mail, return receipt requested; or

c. received by the addressee as sent by express delivery service (receipt requested) in each case to the appropriate addresses, telex numbers and telefax numbers as the party may designate to itself by notice to the other parties:

(i) if to the Employer: Syscan Imaging,  
Inc. 1772 Technology Drive San Jose,  
CA 95110 Telefax: (408)-490-2801  
Telephone: (408)-436-9888

(ii) if to the Employee: 5248 Saint  
Anne's Ct. San Jose, California  
95138

18. SEVERABILITY OF AGREEMENT. Should any part of this Agreement for any reason be declared invalid by a court of competent jurisdiction, such decision shall not affect the validity of any remaining portion, which remaining provisions shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portions of this Agreement without including any such part, parts or portions which may, for any reason, be hereafter declared invalid.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the undersigned have executed this agreement as of the day and year first above written.

EMPLOYEE

Signature: /s/ William Hawkins

-----  
Printed Name: William Hawkins

Date: April 26, 2005

SYSCAN IMAGING, INC.

By: /s/ Darwin Hu

-----  
Name: Darwin Hu

Title: President and CEO

Date: April 26, 2005



EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT ("Agreement") made as of this 26th day of April, 2005 by and between Syscan Imaging, Inc., a Delaware corporation, having an office at 1772 Technology Drive, (hereinafter referred to as "Employer") and DAVID CLARK, an individual residing at 13465 SOUTHFIELDS RD., WELLINGTON, FL 33414 (hereinafter referred to as "Employee");

W I T N E S S E T H:

WHEREAS, Employer employs directly or through a co-employment agreement with a Professional Employer Organization (PEO) licensed in the State of California, and desires to continue to employ, Employee as Senior Vice President of Business Development of Employer; and

WHEREAS, Employee is willing to continue to be employed as the Senior Vice President of Business Development of Employer in the manner provided for herein, and to perform the duties of the Senior Vice President of Business Development of Employer upon the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the promises and mutual covenants herein set forth it is agreed as follows:

1. EMPLOYMENT OF SENIOR VICE PRESIDENT OF BUSINESS DEVELOPMENT OF EMPLOYER. Employer hereby employs Employee as Senior Vice President of Business Development of Employer.

2. TERM.

a. Subject to Section 9 and Section 10 below, the term of this Agreement shall be for a period of thirty-six (36) months commencing on April 25th , 2005 (the Term). The Term of this Agreement shall be automatically extended for additional one (1) year periods, unless either party notifies the other in writing at least ninety (90) days prior to the expiration of the then existing Term of its intention not to extend the Term. During the Term, Employee shall devote substantially all of his business time and efforts to Employer and its subsidiaries and affiliates.

3. DUTIES. The Employee shall perform those functions generally performed by persons of such title and position, shall attend all meetings of the stockholders and the Board, shall perform any and all related duties and shall have any and all powers as may be prescribed by resolution of

the Board, and shall be available to confer and consult with and advise the officers and directors of Employer at such times that may be required by Employer. Employee shall report directly and solely to the Board.

4. COMPENSATION.

a. (i) Employee shall be paid a base pay of \$150,000 per year during the Term of this Agreement. Employee shall be paid periodically in accordance with the policies of the Employer during the term of this Agreement, but not less than monthly.

(ii) Employee is eligible for an annual bonus, if any, which will be determined and paid in accordance with policies set from time to time by the compensation committee of the Board.

b. Employer shall grant Employee 800,000 options ("Options") to purchase shares of the Company's common stock at an exercise price of \$0.01 per share for a period of seven (7) years, upon execution of this Agreement. The Options shall vest as follows: (i) one-third on April 4, 2005; (ii) one-third on April 3, 2006; and (iii) one-third on April 2, 2007.

c. Employer shall include Employee in its health insurance program, payment of premiums in accordance with company policy.

d. Employee shall have the right to participate in any other employee benefit plans established by Employer and PEO.

e. (i) In the event of a "Change of Control" whereby:

(A) A person (other than a person who is an officer or a Director of Employer on the effective date hereof), including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, after execution of this Agreement becomes, or obtains the right to become, the beneficial owner of Employer securities having 30% or more of the combined voting power of then outstanding securities of the Employer that may be cast for the election of directors of the Employer;

(B) At any time, a majority of the Board-nominated slate of candidates for the Board is not elected;

(C) Employer consummates a merger in which it is not the surviving

entity;

(D) Substantially all Employer's assets are sold; or

(E) Employer's stockholders approve the dissolution or liquidation of Employer; then

(ii) All stock options and warrants ("Rights") granted by Employer to Employee under any plan or otherwise prior to the effective date of the Change of Control, shall become vested, accelerate and become immediately exercisable; any time within twelve months after the effective date of the change of control, adjusted for any stock splits and capital reorganizations having a similar effect, subsequent to the effective date hereof. In the event Employee owns or is entitled to receive any unregistered securities of Employer, then Employer shall use its best efforts to effect the registration of all such securities as soon as practicable, but no later than 120 days after the Change of Control; provided, however, that such period may be extended or delayed by Employer for one period of up to 60 days if, upon the advice of counsel at the time such registration is required to be filed, or at the time Employer is required to exercise its best efforts to cause such registration statement to become effective, such delay is advisable and in the best interests of Employer because of the existence of non-public material information, or to allow Employer to complete any pending audit of its financial statements.

5. EXPENSES. Employee shall be reimbursed for all of his actual out-of-pocket expenses incurred in the performance of his duties hereunder, provided such expenses are acceptable to Employer, which approval shall not be unreasonably withheld, for business related travel and entertainment expenses, and that Employee shall submit to Employer detailed receipts, according to IRS guidelines, with respect thereto.

6. VACATION. Employee shall be entitled to receive four (4) weeks paid vacation time during each year of employment with dates agreed upon by Employer. Vacation time may not be accrued beyond the end of the calendar year. In the event of separation of employment, for any reason, vacation time accrued and not used, in that calendar year, shall be paid at the salary rate of Employee in effect at the time of employment separation.

7. SECRECY. At no time shall Employee disclose to anyone any confidential or secret information (not already constituting information available to the public) concerning (a) internal affairs or proprietary business operations of Employer or (b) any trade secrets, new product developments, patents, programs or programming, especially unique processes or methods.

## 8. COVENANT NOT TO COMPETE.

(a) Subject to, and limited by, Section 10(b), Employee will not, at any time, during the term of this Agreement, and for one (1) year thereafter, either directly or indirectly, engage in, with or for any enterprise, institution, whether or not for profit, business, or company, competitive with the business (as identified herein) of Employer as such business may be conducted on the date thereof, as a creditor, guarantor, or financial backer, stockholder, director, officer, consultant, advisor, employee, member, inventor, producer, director, or otherwise of or through any corporation, partnership, association, sole proprietorship or other entity; provided, that an investment by Employee, his spouse or his children is permitted if such investment is not more than four percent (4%) of the total debt or equity capital of any such competitive enterprise or business and further provided that said competitive enterprise or business is a publicly held entity whose stock is listed and traded on a national stock exchange or through the NASDAQ Stock Market. As used in this Agreement, the business of Employer shall be deemed to include the manufacturing and marketing of imaging systems.

(b) For a period one year from the date of termination of this agreement Employee shall not contact or solicit any of the Companies customers, employees or suppliers.

(c) During the entire time of employment, any outside consulting (paid or unpaid), employment, business venture or compensated activities must receive the written approval of the employee compensation committee, established by the board of directors, or any other committee of the board of directors serving such function.

## 9. TERMINATION.

### a. TERMINATION BY EMPLOYER

(i) Employer may terminate this Agreement upon written notice for Cause. For purposes hereof, "Cause" shall mean (A) Employee's misconduct as could reasonably be expected to have a material adverse effect on the business and affairs of Employer, (B) the Employee's disregard of lawful instructions of Employers Board of Directors consistent with Employee's position relating to the business of Employer or neglect of duties or failure to act, which, in each case, could reasonably be expected to have a material adverse effect on the business and affairs of Employer, (C) engaging by the Employee in conduct that constitutes activity in competition with Employer, including any unapproved activities identified in section 8(c) of this agreement; (D) the conviction of Employee for the commission of a felony; and/or (E) the habitual abuse of alcohol or controlled substances. Notwithstanding anything to the contrary in this Section 9(a)(i), Employer may not terminate Employee's employment under this Agreement for Cause unless Employee shall have first received notice from the Board advising Employee of the specific acts or omissions alleged to constitute Cause, and such acts or omissions continue after Employee shall have had a reasonable opportunity (at least 10 days from the date Employee receives the notice from

the Board) to correct the acts or omissions so complained of. In no event shall alleged incompetence of Employee in the performance of Employee's duties be deemed grounds for termination for Cause.

(ii) This agreement automatically shall terminate upon the death of Employee, except that Employee's estate shall be entitled to receive any amount accrued under Section 4(a).

b. TERMINATION BY EMPLOYEE

(i) Employee shall have the right to terminate his employment under this Agreement upon 30 days' notice to Employer given within 90 days following the occurrence of any of the following events (A) through (F) or within three years following the occurrence of event (G):

(A) Employee is not appointed or retained as Senior Vice President of Business Development (or a substantially similar position).

(B) Employer acts to materially reduce Employee's duties and responsibilities hereunder. Employee's duties and responsibilities shall not be deemed materially reduced for purposes hereof solely by virtue of the fact that Employer is (or substantially all of its assets are) sold to, or is combined with, another entity, provided that Employee shall continue to have the same duties and responsibilities with respect to Employer's business, and Employee shall report directly to the board of directors of the entity (or individual) that acquires Employer or its assets.

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(C) Employer acts to change the geographic location of the performance of Employee's duties from the San Jose area. For purposes of this Agreement, the San Jose area shall be deemed to be the area within 60 miles of San Jose, California.

(D) A Material Reduction (as hereinafter defined) in Employee's rate of base compensation, or Employee's other benefits. "Material Reduction" shall mean a ten percent (10%) differential;

(E) A failure by Employer to obtain the assumption of this Agreement by any successor;

(F) A material breach of this

Agreement by Employer, which is not cured within thirty (30) days of written notice of such breach by Employer;

(G) A Change of Control.

(ii) Anything herein to the contrary notwithstanding, Employee may terminate this Agreement upon thirty (30) days written notice to Employer.

(iii) If Employee shall terminate this Agreement under Section 9(b)(i), Employee shall be entitled to receive the lesser of: (a) the remaining salary due to Employee under this Agreement, or (b) six (6) months salary, at his then current yearly salary rate, (the SEVERANCE PAYMENT), and Employer shall pay 100% of the C.O.B.R.A. premiums for six (6) months after such termination. Other than the Severance Payment and the payment of C.O.B.R.A. premiums described in this section 9(b)(iii), Employer shall have no further obligation to compensate Employee pursuant to Section 4 above. If Employee shall terminate this Agreement pursuant to Section 9(b)(ii), Employee shall not be entitled to the Severance Payment or any additional compensation as provided in Section 4.

C. TERMINATION BY BOARD OF DIRECTORS ACTIONS DUE TO ECONOMIC HARDSHIP OF THE EMPLOYER.

(i) In the event the Employer, under direction from its board of directors due to financial distress, is required to take actions that may effect any or all of the Section 9,b,i events (A) through (F), the employee will waive any right to claim Severance Payments under the provisions of Section(s) 4 or 9(b).

(ii) Within thirty (30) days of such board action, Employee may voluntarily terminate this Agreement with written notice to Employer.

(iii) If Employee shall terminate this Agreement under Section 9(c)(ii), Employee shall be entitled to receive: (a) three (3) months salary, at the annual salary rate set forth in section 4(a), (the SEVERANCE PAYMENT), and Employer shall pay 100% of the C.O.B.R.A. premiums for three (3) months after such termination. Other than the Severance Payment and the payment of C.O.B.R.A. premiums described in this section 9(c)(iii), Employer shall have no further obligation to compensate Employee pursuant to Section(s) 4 or 9(b)above. If Employee shall terminate this Agreement pursuant to Section 9(c)(iii), Employee shall not be entitled to the Severance Payment or any additional compensation as provided in Section 4 or 9(b)above.

10. CONSEQUENCES OF BREACH BY EMPLOYER;  
EMPLOYMENT TERMINATION

a. If the Employer shall terminate Employee's employment under this Agreement in any way that is a breach

of this Agreement by Employer, the following shall apply:

(i) Employee shall be entitled to receive the Severance Payment, and Employer shall pay 100% of the C.O.B.R.A. premiums for twelve (12) months after such termination. Other than the Severance Payment and the payment of C.O.B.R.A. premiums described, Employer shall have no further obligation to compensate Employee pursuant to Section(s) 4 or 9 above; and

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(ii) Employee shall be entitled to payment of any previously declared bonus as provided in Section 4(a) above.

b. In the event of termination of Employee's employment pursuant to Section 9(b) (i) of this Agreement, Sections 8(a) and 8(b) shall apply to Employee for the number of months remaining under this Agreement at the time of termination plus a period of six (6) months thereafter.

#### 11. REMEDIES

Employer recognizes that because of Employee's special talents, stature and opportunities in the imaging industry, and because of the special creative nature of and compensation practices of said industry and the material impact that individual projects can have on the Company's results of operations, in the event of termination by Employer hereunder (except under Section 9(a) (i) or (iii), or in the event of termination by Employee under Section 9(b) (i) before the end of the agreed term, the Employer acknowledges and agrees that the provisions of this Agreement regarding further payments of base salary, bonuses and the exercisability of Rights constitute fair and reasonable provisions for the consequences of such termination, do not constitute a penalty, and such payments and benefits shall not be limited or reduced by amounts' Employee might earn or be able to earn from any other employment or ventures during the remainder of the agreed term of this Agreement.

12. EXCISE TAX. In the event that any payment or benefit received or to be received by Employee in connection with a termination of his employment with Employer would constitute a "parachute payment" within the meaning of Code Section 280G or any similar or successor provision to 280G and/or would be subject to any excise tax imposed by Code Section 4999 or any similar or successor provision then Employer shall assume all liability for the payment of any such tax and Employer shall immediately reimburse Employee on a "grossed-up" basis for any income taxes attributable to Employee by reason of such Employer payment and reimbursements.

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14. ENTIRE AGREEMENT; SURVIVAL. This Agreement contains the entire agreement between the parties with respect to the transactions contemplated herein and supersedes, effective as of the date hereof any prior agreement or understanding between Employer and Employee with respect to Employee's employment by Employer. The unenforceability of any provision of this Agreement shall not effect the enforceability of any other provision. This Agreement may not be amended except by an agreement in writing signed by the Employee and the Employer, or any waiver, change, discharge or modification as sought. Waiver of or failure to exercise any rights provided by this Agreement and in any respect shall not be deemed a waiver of any further or future rights.

b. The provisions of Sections 4, 7, 8, 9(a) (ii), 9(b) (iii), 10, 11, 12, 14, 16, 17 and 18 shall survive the termination of this Agreement.

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17. NOTICES. All notices, responses, demands or other communications under this Agreement shall be in writing and shall be deemed to have been given when

-5-

a. delivered by hand;

b. sent by telex or telefax, (with receipt confirmed), provided that a copy is mailed by registered or certified mail, return receipt requested; or

c. received by the addressee as sent by express delivery service (receipt requested) in each case to the appropriate addresses, telex numbers and telefax numbers as the party may designate to itself by notice to the other parties:

(i) if to the Employer: Syscan Imaging,

Inc. 1772 Technology Drive San Jose,  
CA 95110 Telefax: (408)-490-2801  
Telephone: (408)-436-9888

(ii) if to the Employee: 13465  
SOUTHFIELDS RD., WELLINGTON, FL  
33414

18. SEVERABILITY OF AGREEMENT. Should any part of this Agreement for any reason be declared invalid by a court of competent jurisdiction, such decision shall not affect the validity of any remaining portion, which remaining provisions shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portions of this Agreement without including any such part, parts or portions which may, for any reason, be hereafter declared invalid.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the undersigned have executed this agreement as of the day and year first above written.

EMPLOYEE

Signature: /s/ David Clark  
-----

Printed Name: David Clark

Date: April 26, 2005

SYSCAN IMAGING, INC.

By: /s/ Darwin Hu  
-----

Name: Darwin Hu

Title: President and CEO

Date: April 26, 2005

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