# FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2005-11-01** | Period of Report: **2005-09-30**
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## FILER

**ACCELLENT CORP.**

CIK:**1297885**| IRS No.: **912054669** | State of Incorp.:**CO** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-118675** | Film No.: **051167878**
SIC: **3841** Surgical & medical instruments & apparatus

Mailing Address
*200 W. 7TH AVENUE*
*COLLEGEVILLE PA 19426*

Business Address
*200 W. 7TH AVENUE*
*COLLEGEVILLE PA 19426*
*(610) 409-2225*

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2005**

**Commission File Number: 333-118675**

# Accellent Corp.

(Exact name of registrant as specified in its charter)

| **Colorado** | **91-2054669** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| **200 West 7th Avenue**<br>**Collegeville, Pennsylvania** | **19426-0992** |
| (Address of registrant' s principal executive offices) | (Zip code) |

Registrant' s Telephone Number, Including Area Code: **(610) 489-0300**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

As of November 1, 2005, 100 shares of the Registrant' s common stock were outstanding. The registrant is a wholly owned subsidiary of Accellent Inc.

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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

**ACCELLENT CORP.**
**Unaudited Condensed Consolidated Balance Sheets**
**As of September 30, 2005 and December 31, 2004**
**(in thousands)**

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 7,388 | $ 16,004 |
| Accounts receivable, net of allowances of $2,067 and $2,909, respectively | 56,561 | 48,354 |
| Inventories | 61,393 | 58,014 |
| Prepaid expenses and other | 2,706 | 3,471 |
| Total current assets | 128,048 | 125,843 |
| Property and equipment, net | 96,102 | 85,945 |
| Goodwill | 284,879 | 289,461 |
| Intangibles, net | 83,654 | 81,874 |
| Deferred financing costs and other assets | 15,985 | 17,106 |
| Total assets | $ 608,668 | $ 600,229 |
| **Liabilities and stockholder' s equity** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 1,961 | $ 1,961 |
| Accounts payable | 20,218 | 20,447 |

| | | |
|---|---|---|
| Accrued payroll and benefits | 12,143 | 13,011 |
| Accrued interest | 3,741 | 10,575 |
| Accrued expenses, other | 19,677 | 26,986 |
| Total current liabilities | 57,740 | 72,980 |
| Notes payable and long-term debt | 372,663 | 366,091 |
| Other long-term liabilities | 25,255 | 23,667 |
| Total liabilities | 455,658 | 462,738 |
| Redeemable and convertible preferred stock of parent company | – | 30 |
| Stockholder' s equity: | | |
| Common stock, par value $.01 per share, 1,000 shares authorized and 100 shares issued and outstanding | – | – |
| Additional paid-in capital | 205,750 | 201,348 |
| Accumulated other comprehensive income | 928 | 1,716 |
| Accumulated deficit | (53,668) | (65,603) |
| Total stockholder' s equity | 153,010 | 137,461 |
| Total liabilities and stockholder' s equity | $ 608,668 | $ 600,229 |

The accompanying notes are an integral part of these financial statements.



**ACCELLENT CORP.**
**Unaudited Condensed Consolidated Statements of Operations**
**For the three and nine months ended September 30, 2005 and 2004**
**(in thousands)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Net sales | $ 116,655 | $ 100,338 | $ 340,253 | $ 212,485 |
| Cost of sales | 79,758 | 77,497 | 234,122 | 155,155 |
| Gross profit | 36,897 | 22,841 | 106,131 | 57,330 |
| Selling, general and administrative expenses | 18,547 | 14,106 | 49,539 | 30,681 |
| Research and development expenses | 866 | 847 | 2,294 | 2,023 |
| Restructuring and other charges | 1,185 | 2,107 | 3,824 | 2,107 |
| Amortization of intangibles | 1,572 | 1,487 | 4,660 | 3,937 |
| Income from operations | 14,727 | 4,294 | 45,814 | 18,582 |
| Interest expense, net | 7,970 | 7,382 | 23,731 | 19,397 |
| Other (income) expense, including debt prepayment penalties of $3,295 for the nine months ended September 30, 2004 | (42) | 19 | 105 | 3,284 |
| Income (loss) before income taxes | 6,799 | (3,107) | 21,978 | (4,099) |
| Income tax expense | 3,930 | 1,284 | 10,045 | 2,341 |
| Net income (loss) | 2,869 | (4,391) | 11,933 | (6,440) |
| Dividends on redeemable and convertible preferred stock of parent company | – | – | – | (8,201) |
| Net income (loss) available to common stockholder | $ 2,869 | $ (4,391) | $ 11,933 | $ (14,641) |

The accompanying notes are an integral part of these financial statements.

**ACCELLENT CORP.**
**Unaudited Condensed Consolidated Statements of Cash Flows**
**For the nine months ended September 30, 2005 and 2004**
**(in thousands)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2005** | **2004** |
| **OPERATING ACTIVITIES:** | | |
| Net income (loss) | $ 11,933 | $ (6,440) |
| Cash provided by operating activities: | | |
| Depreciation and amortization | 16,062 | 11,289 |
| Amortization of debt discounts and non-cash interest accrued | 2,002 | 6,942 |
| Deferred income taxes | 6,532 | 993 |
| Non-cash compensation charge | 3,556 | 161 |
| Loss (gain) on disposal of assets | 310 | (114) |
| Changes in operating assets and liabilities, net of business acquired: | | |
| Increase in accounts receivable | (7,379) | (5,816) |
| Increase in inventories | (2,462) | (6,435) |
| Decrease in prepaid expenses and other | 790 | 898 |
| (Decrease) increase in accounts payable and accrued expenses | (9,874) | 4,701 |
| Net cash provided by operating activities | 21,470 | 6,179 |
| **INVESTING ACTIVITIES:** | | |
| Purchase of property, plant & equipment | (15,586) | (8,718) |
| Proceeds from sale of assets | 61 | 1,402 |
| Acquisition of business | (20,098) | (214,001) |
| Net cash used in investing activities | (35,623) | (221,317) |
| **FINANCING ACTIVITIES:** | | |
| Proceeds from long-term debt | 8,000 | 372,000 |
| Principal payments on long-term debt | (1,473) | (184,547) |
| Capital contributions from parent | 30 | 67,862 |
| Redemption and repurchase of redeemable and convertible preferred stock of parent | (30) | (12,563) |
| Dividends paid on redeemable and convertible preferred stock of parent company | – | (8,201) |
| Deferred financing fees | (826) | (15,968) |
| Net cash provided by financing activities | 5,701 | 218,583 |
| **EFFECT OF EXCHANGE RATE CHANGES IN CASH:** | (164) | (16) |
| (Decrease) increase in cash and cash equivalents | (8,616) | 3,429 |
| Cash and cash equivalents at beginning of period | 16,004 | 3,974 |
| Cash and cash equivalents at end of period | $ 7,388 | $ 7,403 |
| **Supplemental disclosure of non-cash investing activities:** | | |
| Cash paid for businesses acquired | | |
| Working capital net of cash acquired of $14,304 in 2004 | $ 1,888 | $ 3,489 |
| Property, plant and equipment | 5,241 | 44,822 |
| Goodwill and intangible assets | 11,102 | 198,047 |
| Long-term liabilities | (43) | (41,506) |
| Change in accrued expenses for acquisitions related to earn-out and expense payments | 1,910 | 9,149 |

| | | |
|---|---|---|
| | $ 20,098 | $ 214,001 |
| Property, plant and equipment acquired through long-term lease | $ 392 | $ – |

The accompanying notes are an integral part of these financial statements.



**ACCELLENT CORP.**
**Notes to Unaudited Condensed Consolidated Financial Statements**
**September 30, 2005**

**1. Summary of Significant Accounting Policies:**

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements of Accellent Corp. ("the Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for interim periods are not necessarily indicative of the results that may be expected for the fiscal year as a whole. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company' s Annual Report on Form 10-K filed on March 15, 2005 with the Securities and Exchange Commission (File No. 333-118675) for the year ended December 31, 2004.

The Company changed its name from Medical Device Manufacturing, Inc. to Accellent Corp. on May 4, 2005. The Company is a wholly owned subsidiary of Accellent Inc. ("Parent"). Parent is a holding company with no operations and whose only asset is the stock of the Company. Proceeds from the issuance of debt and sale of stock of Parent are used by the Company for its acquisitions of its subsidiaries. Additionally, the proceeds of the Company' s issuance of $175.0 million of 10% Senior Subordinated Notes due July 15, 2012 (the "Senior Subordinated Notes") were used to retire all of the senior notes of Parent. Accordingly, in compliance with provisions of Staff Accounting Bulletin 54 (Topic 5-J, Question 3), the accompanying financial statements reflect the push down of Parent' s debt, related interest expense, debt issuance costs, the Class B-1 and B-2 Redeemable and Convertible Preferred Stock, and the Class C 8% Redeemable Preferred Stock and related dividends. The Parent debt pushed down to the Company is included in its consolidated balance sheets as long-term debt. The Parent Class B-1 and B-2 Redeemable and Convertible Preferred Stock, and the Class C 8% Redeemable Preferred Stock pushed down to the Company is included in its consolidated balance sheets as redeemable and convertible preferred stock of parent company. The Class B-1 Redeemable and Convertible Preferred Stock were redeemed in September 2004. The Class B-2 Redeemable and Convertible Preferred Stock were redeemed in June 2005. Parent has also raised capital from the sale of common stock, Class A-1 through A-8 5% Convertible Preferred Stock, Class AA Convertible Preferred Stock and warrants exercisable for Class AB Convertible Preferred Stock. The proceeds from the common stock, Class A-1 through A-8 5% Convertible Preferred Stock, Class AA Convertible Preferred Stock and warrants exercisable for Class AB Convertible Preferred Stock have been advanced to the Company and reflected in its consolidated balance sheets as additional paid-in capital since the Company is under no obligation to repay these amounts. Any costs incurred by Parent for the benefit of the Company have been fully allocated to the Company. Parent does not incur any common expenses for the benefit of both Parent and the Company, therefore, no common expenses are allocated from Parent to the Company. For the nine months ended September 30, 2004, Parent pushed down to the Company interest expense, including debt issuance costs, and debt prepayment penalties of $6.7 million. Parent did not incur any interest expense or debt prepayment penalties for the nine months ended September 30, 2005.

The Company' s operating results have been included in Parent' s consolidated United States and state income tax returns and in tax returns of certain foreign subsidiaries. The provision for income taxes in the Company' s financial statements has been determined on a separate return basis. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. No formal tax sharing agreement exists between the Company and Parent.

***Stock-based compensation***

The Company accounts for stock options issued by Parent to employees of the Company using the intrinsic value method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. Had the Company elected to recognize compensation expense for the granting of Parent options under Parent stock option plans based on the fair values at the grant dates consistent with the methodology prescribed by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation," pro forma net income (loss) would have been reported as follows (in thousands):



| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Net income (loss): | | | | |
| As reported | $ 2,869 | $ (4,391) | $ 11,933 | $ (6,440) |
| Add total stock compensation expense, net of tax, included in income (loss) as reported | 2,653 | 42 | 3,477 | 127 |
| Less total stock compensation expense–fair value method net of tax | (3,117) | (425) | (4,698) | (1,127) |
| Pro forma net income (loss) | $ 2,405 | $ (4,774) | $ 10,712 | $ (7,440) |

Stock compensation expense, net of tax, included in net income as reported for the three and nine month periods ended September 30, 2005 includes a charge of $2,001,000 and $2,747,000, respectively, to increase the Company' s liability for phantom stock plans due to the increase in value of Parent' s common stock.

**2. Acquisitions:**

On June 30, 2004, the Company acquired MedSource Technologies, Inc. ("MedSource"). The MedSource acquisition was accounted for as a purchase and accordingly the results of operations include MedSource' s results beginning June 30, 2004. MedSource is an engineering and manufacturing services provider to the medical device industry. The purchase price was $219.7 million, consisting of $208.8 million in cash for the purchase of common stock and the cash out of options and warrants, and $10.9 million of transaction fees. The purchase was financed by a combination of new debt and equity as discussed in notes 6 and 8. In addition, the then existing indebtedness of MedSource equal to $36.1 million plus related accrued interest was repaid in conjunction with the acquisition. The Company estimates that it will incur $17.4 million for integration and other liabilities.

The purchase price for the MedSource acquisition was allocated as follows (in thousands):

| | |
|---|---|
| Inventories | $ 27,707 |
| Accounts receivable | 24,782 |
| Prepaid expenses and other current assets | 702 |
| Property and equipment | 44,144 |
| Goodwill | 160,297 |
| Intangible and other assets | 19,938 |
| Current liabilities | (30,304) |
| Debt assumed | (36,131) |
| Other long-term liabilities | (5,736) |
| Cash paid, net of cash acquired of $14,304 | $ 205,399 |

The decrease in goodwill for the nine months ended September 30, 2005 is primarily related to the reduction in accrued integration and restructuring costs for MedSource as discussed in Note 3, and the expected utilization of tax benefits acquired from MedSource as discussed in Note 7.

On September 12, 2005, the Company acquired substantially all of the assets of Campbell Engineering, Inc. ("Campbell") and certain real property owned by the shareholders of Campbell and used by Campbell in the conduct of its business. The Campbell acquisition was accounted for as a purchase and accordingly the results of operations include Campbell' s results beginning September 12, 2005. Campbell is an engineering and manufacturing firm providing design, analysis, precision fabrication, assembly and testing of primarily orthopaedic implants and instruments. The purchase price at closing was $18.2 million, all of which was paid in cash. An additional $12.0 million of consideration will be paid, if at all, pursuant to an earn out arrangement contingent upon the 2005 and 2006 full year financial performance of the acquired business. Any additional amounts paid under earn out provisions will be recorded as in increase to the purchase price allocated to goodwill at the time the payment is earned.



The Company has preliminarily identified the tangible and intangible assets as well as the liabilities assumed in the Campbell acquisition. The final purchase price allocation could vary from the preliminary allocation. The preliminary purchase price allocation for the Campbell acquisition was as follows (in thousands):

| | |
|---|---|
| Inventories | $ 1,401 |
| Accounts receivable | 1,111 |
| Prepaid expenses and other current assets | 21 |
| Property and equipment | 5,241 |
| Goodwill | 4,662 |
| Intangible and other assets | 6,440 |
| Current liabilities | (645) |
| Debt assumed | (43) |
| Total purchase price | $ 18,188 |

The Company determines the value and potential purchase price of target acquisition companies based on multiples of future cash flow. These cash flow projections may include an estimate of improved cash flow performance as compared to historical performance of the target acquisition company based on projected synergies. The value of the acquired company based on our cash flow analysis may differ significantly from the carrying value of the acquired net assets, resulting in an allocation of a significant portion of the purchase price to goodwill.

The following unaudited pro forma consolidated financial information reflects the purchase of MedSource and Campbell assuming the acquisitions had occurred as of the beginning of each period. This unaudited pro forma information has been provided for informational purposes only and is not necessarily indicative of the results of operations or financial condition that actually would have been achieved if the acquisitions had been on the dates indicated, or that may be reported in the future (in thousands):

| | Nine months ended September 30, 2005 | Nine months ended September 30, 2004 |
|---|---|---|
| Net sales | $ 348,542 | $ 314,080 |
| Net income (loss) | 12,530 | 115 |

The pro forma net income for the nine months ended September 30, 2004 includes $2.3 million of restructuring charges recognized by MedSource.

**3. Restructuring and Other Charges:**

In connection with the MedSource acquisition, the Company identified $17.2 million of costs associated with eliminating duplicate positions and plant consolidations, which is comprised of $9.7 million in severance payments and $7.5 million in lease termination and other contract termination costs. Severance payments relate to approximately 520 employees in manufacturing, selling and administration and are expected to be paid by the end of fiscal year 2007. All other costs are expected to be paid by 2018. The costs of these plant consolidations were reflected in the purchase price of MedSource in accordance with the FASB Emerging Issues Task Force ("EITF") No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination.* These costs include estimates to close facilities and consolidate manufacturing capacity, and are subject to change based on the actual costs incurred to close these facilities. Changes to these estimates could increase or decrease the amount of the purchase price allocated to goodwill in the near term. During the first nine months of fiscal year 2005, the Company decreased the estimated liability for the MedSource facilities consolidation by $4.3 million, resulting in a decrease to the purchase price allocation to goodwill in the same amount.

The Company recognized an additional $3.8 million of restructuring charges and acquisition integration costs during the first nine months of fiscal year 2005, including $1.2 million of severance costs and $2.1 million of other exit costs including costs to move production processes from five facilities that are closing to other production facilities of the Company. In addition to the



$3.3 million in restructuring charges incurred during first nine months of fiscal year 2005, the Company incurred $0.5 million of costs for the integration of MedSource.

The following table summarizes the recorded accruals and activity related to the restructuring activities (in thousands):

| | Employee costs | Other costs | Total |
|---|---|---|---|
| Balance as of December 31, 2004 | $ 7,764 | $ 9,913 | $ 17,677 |
| Adjustment to planned plant closure and severance costs for the MedSource integration (reduction to the purchase price allocated to goodwill) | (1,932) | (2,387) | (4,319) |
| Restructuring and integration charges incurred | 1,191 | 2,633 | 3,824 |
| Paid year-to-date | (3,886) | (3,080) | (6,966) |
| Balance September 30, 2005 | $ 3,137 | $ 7,079 | $ 10,216 |

**4. Comprehensive Income:**

Comprehensive income (loss) represents net income plus the results of any stockholder' s equity changes related to currency translation. For the three and nine months ended September 30, 2005 and 2004, the Company reported comprehensive income of (in thousands):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Net income (loss) | $ 2,869 | $ (4,391) | $ 11,933 | $ (6,440) |
| Cumulative translation adjustments | (85) | 112 | (788) | (91) |
| Comprehensive income (loss) | $ 2,784 | $ (4,279) | $ 11,145 | $ (6,531) |

**5. Inventories:**

Inventories at September 30, 2005 and December 31, 2004 consisted of the following (in thousands):

| | September 30, 2005 | December 31, 2004 |
|---|---|---|

| | | |
|---|---|---|
| Raw materials | $ 22,174 | $ 20,939 |
| Work-in-process | 23,979 | 24,068 |
| Finished goods | 15,240 | 13,007 |
| Total | $ 61,393 | $ 58,014 |

**6. Short-term and long-term debt:**

Long-term debt at September 30, 2005 and December 31, 2004 consisted of the following (in thousands):

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| Senior secured credit facility term loans, interest at 6.09% at September 30, 2005 and 5.28% at December 31, 2004 | $ 191,575 | $ 193,030 |
| Senior secured credit facility revolving credit facility loans, interest at 6.84% at September 30, 2005 | 8,000 | – |
| Senior Subordinated Notes maturing July 15, 2012, interest at 10% | 175,000 | 175,000 |
| Capital lease obligations | 49 | 22 |
| Total debt | 374,624 | 368,052 |
| Less current portion | (1,961) | (1,961) |
| Long-term debt, excluding current portion | $ 372,663 | $ 366,091 |



The Company' s Senior Secured Credit Facility dated June 30, 2004 and as amended on March 25, 2005 (the "Credit Agreement") includes $194.0 million of term loans and up to $40.0 million available under the revolving credit facility. Additionally, the Company may borrow up to $50.0 million in additional term loans, with the approval of participating lenders. The interest rate applicable to the term loans is as follows: on base rate loans from base rate (generally the applicable prime lending rate of Credit Suisse First Boston, as announced from time to time) plus 2.00% to base rate plus 1.25%, on euro dollar rate loans from LIBOR plus 3.00% to LIBOR plus 2.25%. Principal payments are due in the amounts of $1.9 million per year plus, beginning in 2006, 75% of Excess Cash Flow, as defined by the Credit Agreement. The balance is due June 30, 2010. As of September 30, 2005, $5.8 million of the revolving credit facility was supporting the Company' s letters of credit and $8.0 million was borrowed, leaving $26.2 million available.

In connection with the acquisition of Campbell on September 12, 2005, the Company used $8.0 million of its revolving credit facility (the "Revolving Loan") under the Credit Agreement to fund part of the acquisition. The Revolving Loan is a euro dollar rate loan accruing interest at an annual rate equal to LIBOR plus 3.00%. The Revolving Loan matures on June 30, 2010.

The Company incurred $0.8 million in fees in connection with the amendment of the Credit Agreement during the first nine months of fiscal year 2005, which will be amortized to interest expense over the remaining term of the Credit Agreement. Also in connection with the amendment, the Company wrote off deferred financing costs resulting in a charge to interest expense of $0.2 million for the first six months of fiscal year 2005.

On June 30, 2004, the Company issued $175.0 million in aggregate principal amount of Senior Subordinated Notes. Interest on the Senior Subordinated Notes is payable on January 15$^{th}$ and July 15$^{th}$ of each year.

The Company' s debt agreements contain various covenants, including minimum cash flow (as defined therein), debt service coverage ratios and maximum capital spending limits. In addition, the debt agreements restrict the Company from paying dividends and making certain investments. The covenants and restrictions of the indenture governing the Senior Subordinated Notes apply only to the Company and not Parent. All covenants and restrictions under the Credit Agreement apply to the Company, and the covenants and restrictions other than financial covenants apply to Parent.

As of September 30, 2005, the Company and Parent were in compliance with their respective covenants under the Credit Agreement and the Senior Subordinated Notes.

**7. Income taxes:**

Income tax expense for the nine months ended September 30, 2005 was $10.0 million on pre-tax income of $22.0 million, or 45.7% of pre-tax income. The effective rate is higher than the statutory rate primarily due to $6.5 million in charges for non-cash deferred income taxes, including $5.2 million for tax benefits acquired from MedSource which have been credited to goodwill and not benefited in the statement of operations and $1.3 million of charges for the different book and tax treatment for goodwill. The remaining $3.5 million of income tax expense for the nine months ended September 30, 2005 includes $3.3 million for certain state and foreign income taxes and $0.2 million for domestic federal income taxes. The Company expects to offset most of its 2005 domestic federal income taxes with net operating loss carryforwards. For the nine months ended September 30, 2004, the Company recorded a tax provision of $2.3 million on a pre-tax net loss of $4.1 million, primarily due to provisions for certain state and foreign income taxes.

**8. Capital Stock and Redeemable Preferred Stock:**

The Company has 1,000 shares of common stock authorized and 100 shares issued and outstanding, $.01 per value per share. All shares are owned by Parent.



The Company has received proceeds from the sale of permanent equity by Parent. The proceeds received by the Company from inception to September 30, 2005 amounted to $205.8 million and are included in additional paid-in capital. The Company is under no obligation to repay these amounts to Parent. For a further discussion of the equity instruments of Parent, see Notes 10 and 11 of the consolidated financial statements included in Part II, Item 8 of the Company' s Annual Report on Form 10-K for the year ended December 31, 2004.

The following table summarizes the amounts recorded as additional paid-in capital and redeemable convertible preferred stock of Parent for the nine months ended September 30, 2005 (in thousands):

| | Additional paid-in capital | Redeemable and convertible preferred stock of Parent |
|---|---|---|
| Beginning balance, January 1, 2005 | $ 201,348 | $ 30 |
| Amortization of stock-based compensation | 729 | – |
| Compensation charge associated with phantom stock plans of Parent | 29 | – |
| Capital contribution from Parent | 3,644 | – |
| Redemption of redeemable and convertible preferred stock of Parent | – | (30) |
| Ending balance, September 30, 2005 | $ 205,750 | $ – |

During the nine months ended September 30, 2005, the outstanding shares of Class B-2 Redeemable and Convertible Preferred Stock of Parent were redeemed for the carrying value of $30,000. In addition, Parent issued 244,832 shares of its Class A-7 5% Convertible Preferred Stock to the former owners of Venusa in connection with Venusa achieving certain earn-out targets for fiscal year 2004. The Company recorded a contribution to capital of $3.6 million to reflect the issuance of these shares to the former owners of Venusa. There are no additional earn-out provisions relating to the Venusa acquisition.

In July 2005, the Board of Directors of Parent approved the grant of 609,237 shares of its restricted common stock to certain members of the Company' s management. The shares vest 100% on the four year anniversary from the date of grant. The Company is recording compensation expense of $10.0 million over the vesting period of the restricted shares, or 48 months, resulting in a quarterly compensation charge to Selling, General and Administrative expense, or SG&A, of $624,000 starting in July 2005. Also in July 2005, the Board of Directors of Parent approved the grant of 281,152 stock options to certain members of the Company' s management at option prices that are below the fair market value of the underlying common stock. The Company is recording compensation expense of $2.3 million over the vesting period of the stock options, or 60 months, resulting in a quarterly compensation charge to SG&A of $115,000 starting in July 2005.

**9. Pension Plans:**

Effective January 1, 2004, the Company adopted SFAS No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*. This standard requires the disclosure of the components of net periodic benefit cost recognized during interim periods. Components on net periodic pension cost for the three and nine months ended September 30, 2005 and 2004 were as follows (in thousands):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Service cost | $ 23 | $ 19 | $ 70 | $ 57 |
| Interest cost | 34 | 32 | 104 | 97 |
| Expected return of plan assets | (14) | (14) | (44) | (42) |
| Recognized net actuarial loss | 11 | 6 | 35 | 17 |
| | $ 54 | $ 43 | $ 165 | $ 129 |



Assuming that the actual return on plan assets is consistent with the expected annualized rate of 7.0% for the remainder of fiscal year 2005, and that interest rates remain constant, the Company would be required to make total contributions to its pension plans of $74,000 for fiscal year 2005.

**10. Subsequent Events:**

On October 6, 2005, the Company purchased 100% of the outstanding membership interests in Machining Technology Group, LLC ("MTG"), an Arlington, Tennessee based privately held manufacturing and engineering company specializing in rapid prototyping and manufacturing of specialized orthopaedic implants and instruments for the orthopaedic industry. The purchase price was $50.2 million which was paid in cash of $34.0 million and shares of Parent' s Class A-9 5% Convertible Preferred Stock valued at $16.2 million. An additional $6.0 million of consideration will be paid, if at all, pursuant to an earn out arrangement payable contingent upon the 2006 full year financial performance of MTG. If the earn out arrangement is earned, the payment would be expected to be made in the second quarter of 2007. The closing cash payment was funded with a combination of approximately $21.5 million of proceeds received from a draw on the Company' s existing revolving credit facility pursuant to the Credit Agreement, and approximately $12.5 million of proceeds received from the utilization of the term loan facility provided for under the Credit Agreement. Following the acquisition, the total amount available to be drawn on the revolving credit facility was approximately $4.7 million, net of approximately $5.8 million of letters of credit outstanding that reduced the amounts available under the revolving credit facility.

On October 7, 2005, Parent signed a definitive agreement and plan of merger (the "Merger Agreement") with an affiliate of Kohlberg Kravis Roberts & Co. L.P. (the "KKR Affiliate"). In addition, the KKR Affiliate, Parent and certain stockholders of Parent executed a voting agreement in which the stockholders agreed to vote their shares in favor of the merger. The Company anticipates that it will refinance existing debt, including its Credit Facility and its existing Senior Subordinated Notes, in connection with the closing of the merger.

On October 21, 2005, the Company commenced a cash tender offer and consent solicitation for any and all of the outstanding Senior Subordinated Notes (the "Offer"). The consents of the holders of the outstanding Senior Subordinated Notes are being solicited to eliminate substantially all of the restrictive and reporting covenants, certain events of default and certain other provisions in the indenture governing the Senior Subordinated Notes.

The pending merger with the KKR Affiliate (the "Merger"), is subject to various customary conditions, including adoption of the merger agreement by Parent' s stockholders, the expiration or early termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the absence of certain legal impediments, the receipt of certain regulatory approvals and the receipt of debt and equity financings. If all of the other conditions to the Merger are satisfied, under the terms of the existing financing commitment letters, Parent can consummate the Merger even if the Offer is not consummated and the requisite consents, as defined in the Offer, are not obtained through a covenant defeasance of the Senior Subordinated Notes in accordance with the terms of the Senior Subordinated Notes. If the Merger is not consummated, the Company will not purchase any of the Senior Subordinated Notes tendered pursuant to the Offer or cause the proposed amendments in the Offer to become operative.



**11. Supplemental Guarantor Condensed Consolidating Financial Statements:**

In connection with the Company' s issuance of its Senior Subordinated Notes, all of its domestic subsidiaries (the "Subsidiary Guarantors") guaranteed on a joint and several, full and unconditional basis, the repayment by the Company of such notes. Certain foreign subsidiaries of the Company (the "Non-Guarantor Subsidiaries") have not guaranteed such indebtedness.

The following tables present the unaudited consolidating statements of operations for the three and nine months ended September 30, 2005 and September 30, 2004 of the Company ("Holdings"), the Subsidiary Guarantors and the Non-Guarantor Subsidiaries, the unaudited condensed consolidating balance sheets as of September 30, 2005 and December 31, 2004, and cash flows for the nine months ended September 30, 2005 and September 30, 2004.

**Consolidating Statements of Operations**
**Three months ended September 30, 2005 (in thousands):**

| | Holdings | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ – | $ 111,609 | $ 5,225 | $ (179) | $ 116,655 |
| Cost of sales | – | 76,905 | 3,032 | (179) | 79,758 |
| Selling, general and administrative expenses | 2,917 | 15,001 | 629 | – | 18,547 |
| Research and development expenses | – | 752 | 114 | – | 866 |
| Restructuring and other charges | – | 1,145 | 40 | – | 1,185 |
| Amortization of intangibles | – | 1,572 | – | – | 1,572 |
| Income (loss) from operations | (2,917) | 16,234 | 1,410 | – | 14,727 |
| Interest expense | 7,943 | 27 | – | – | 7,970 |
| Other expense (income) | – | 95 | (137) | – | (42) |
| Equity in earnings of affiliates | 11,450 | 1,286 | – | (12,736) | – |
| Income tax expense (benefit) | (2,279) | 5,948 | 261 | – | 3,930 |
| Net income | $ 2,869 | $ 11,450 | $ 1,286 | $ (12,736) | $ 2,869 |

**Consolidating Statements of Operations**
**Three months ended September 30, 2004 (in thousands):**

| | Holdings | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ – | $ 96,491 | $ 4,239 | $ (392) | $ 100,338 |
| Cost of sales | – | 75,143 | 2,746 | (392) | 77,497 |
| Selling, general and administrative expenses | 63 | 13,378 | 665 | – | 14,106 |
| Research and development expenses | – | 772 | 75 | – | 847 |
| Restructuring and other charges | – | 2,107 | – | – | 2,107 |
| Amortization of intangibles | – | 1,487 | – | – | 1,487 |
| Income (loss) from operations | (63) | 3,604 | 753 | – | 4,294 |
| Interest expense (income) | 7,393 | (84) | 73 | – | 7,382 |
| Other expense (income) | – | 33 | (14) | – | 19 |
| Equity in earnings of affiliates | 2,481 | 634 | – | (3,115) | – |
| Income tax expense (benefit) | (584) | 1,808 | 60 | – | 1,284 |
| Net income (loss) | $ (4,391) | $ 2,481 | $ 634 | $ (3,115) | $ (4,391) |



**Consolidating Statements of Operations**
**Nine months ended September 30, 2005 (in thousands):**

| | Holdings | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ – | $ 326,707 | $ 14,006 | $ (460) | $ 340,253 |
| Cost of sales | – | 226,176 | 8,406 | (460) | 234,122 |
| Selling, general and administrative expenses | 3,798 | 43,998 | 1,743 | – | 49,539 |
| Research and development expenses | – | 2,023 | 271 | – | 2,294 |
| Restructuring and other charges | – | 3,697 | 127 | – | 3,824 |
| Amortization of intangibles | – | 4,660 | – | – | 4,660 |
| Income (loss) from operations | (3,798) | 46,153 | 3,459 | – | 45,814 |
| Interest expense (income) | 23,648 | 76 | 7 | – | 23,731 |
| Other expense (income) | – | 315 | (210) | – | 105 |
| Equity in earnings of affiliates | 30,399 | 2,457 | – | (32,856) | – |
| Income tax expense (benefit) | (8,980) | 17,820 | 1,205 | – | 10,045 |
| Net income (loss) | $ 11,933 | $ 30,399 | $ 2,457 | $ (32,856) | $ 11,933 |

**Consolidating Statements of Operations**
**Nine months ended September 30, 2004 (in thousands):**

| | Holdings | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ – | $ 201,637 | $ 11,577 | $ (729) | $ 212,485 |
| Cost of sales | – | 148,134 | 7,750 | (729) | 155,155 |
| Selling, general and administrative expenses | 174 | 28,565 | 1,942 | – | 30,681 |
| Research and development expenses | – | 1,824 | 199 | – | 2,023 |
| Restructuring and other charges | – | 2,107 | – | – | 2,107 |
| Amortization of intangibles | – | 3,937 | – | – | 3,937 |

| | | | | | |
|---|---|---|---|---|---|
| Income (loss) from operations | (174) | 17,070 | 1,686 | – | 18,582 |
| Interest expense (income) | 19,359 | (169) | 207 | – | 19,397 |
| Other expense (income) | 3,295 | 67 | (78) | – | 3,284 |
| Equity in earnings of affiliates | 11,490 | 1,420 | – | (12,910) | – |
| Income tax expense (benefit) | (4,898) | 7,102 | 137 | – | 2,341 |
| Net income (loss) | $ (6,440) | $ 11,490 | $ 1,420 | $ (12,910) | $ (6,440) |



**Condensed Consolidating Balance Sheets**
**September 30, 2005 (in thousands):**

| | Holdings | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 7,519 | $ (1,445) | $ 1,314 | $ – | $ 7,388 |
| Receivables, net | – | 54,195 | 2,425 | (59) | 56,561 |
| Inventories | – | 58,685 | 2,708 | – | 61,393 |
| Prepaid expenses and other | – | 2,554 | 152 | – | 2,706 |
| Total current assets | 7,519 | 113,989 | 6,599 | (59) | 128,048 |
| Property, plant and equipment, net | – | 90,995 | 5,107 | – | 96,102 |
| Intercompany receivable (payable) | (56,311) | 54,168 | 2,143 | – | – |
| Investment in subsidiaries | 550,661 | 8,430 | – | (559,091) | – |
| Goodwill | 1,877 | 283,002 | – | – | 284,879 |
| Intangibles, net | – | 83,654 | – | – | 83,654 |
| Deferred financing costs and other assets | 15,583 | 377 | 25 | – | 15,985 |
| Total assets | $ 519,329 | $ 634,615 | $ 13,874 | $ (559,150) | $ 608,668 |
| | | | | | |
| Current portion of long-term debt | $ 1,940 | $ 21 | $ – | $ – | $ 1,961 |
| Accounts payable | – | 19,159 | 1,118 | (59) | 20,218 |
| Accrued liabilities | (17,349) | 50,101 | 2,809 | – | 35,561 |
| Total current liabilities | (15,409) | 69,281 | 3,927 | (59) | 57,740 |
| Note payable and long-term debt | 372,635 | 28 | – | – | 372,663 |
| Other long-term liabilities | 9,093 | 14,645 | 1,517 | – | 25,255 |
| Total liabilities | 366,319 | 83,954 | 5,444 | (59) | 455,658 |
| Equity | 153,010 | 550,661 | 8,430 | (559,091) | 153,010 |
| Total liabilities and equity | $ 519,329 | $ 634,615 | $ 13,874 | $ (559,150) | $ 608,668 |



**Condensed Consolidating Balance Sheets**
**December 31, 2004 (in thousands):**

| | Holdings | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 12,267 | $ 2,438 | $ 1,299 | $ – | $ 16,004 |
| Receivables, net | – | 46,805 | 1,549 | – | 48,354 |

| | | | | | |
|---|---|---|---|---|---|
| Inventories | – | 55,686 | 2,328 | – | 58,014 |
| Prepaid expenses and other | – | 3,299 | 172 | – | 3,471 |
| Total current assets | 12,267 | 108,228 | 5,348 | – | 125,843 |
| Property, plant and equipment, net | – | 80,907 | 5,038 | – | 85,945 |
| Intercompany receivable (payable) | (15,713) | 15,189 | – | 524 | – |
| Investment in subsidiaries | 502,862 | 6,571 | – | (509,433) | – |
| Goodwill | 7,116 | 282,345 | – | – | 289,461 |
| Intangibles, net | – | 81,874 | – | – | 81,874 |
| Deferred financing costs and other assets | 16,815 | 320 | (29) | – | 17,106 |
| Total assets | $ 523,347 | $ 575,434 | $ 10,357 | $ (508,909) | $ 600,229 |
| | | | | | |
| Current portion of long-term debt | $ 1,940 | $ 21 | $ – | $ – | $ 1,961 |
| Accounts payable | 14 | 19,346 | 1,087 | – | 20,447 |
| Accrued liabilities | 12,865 | 36,115 | 1,592 | – | 50,572 |
| Total current liabilities | 14,819 | 55,482 | 2,679 | – | 72,980 |
| Note payable and long-term debt | 366,090 | 1 | – | – | 366,091 |
| Other long-term liabilities | 4,947 | 17,089 | 1,107 | 524 | 23,667 |
| Total liabilities | 385,856 | 72,572 | 3,786 | 524 | 462,738 |
| Redeemable and convertible preferred stock of parent | 30 | – | – | – | 30 |
| Equity | 137,461 | 502,862 | 6,571 | (509,433) | 137,461 |
| Total liabilities and equity | $ 523,347 | $ 575,434 | $ 10,357 | $ (508,909) | $ 600,229 |



**Consolidating Statements of Cash Flows**

**Nine months ended September 30, 2005 (in thousands):**

| | Holdings | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash (used in) provided by operating activities | $ (32,477) | $ 51,112 | $ 2,835 | $ – | $ 21,470 |
| Cash flows from investing activities: | – | | | | |
| Capital expenditures | – | (14,692) | (894) | – | (15,586) |
| Transferred assets | – | 201 | (201) | – | – |
| Proceeds from sale of equipment | – | 61 | – | – | 61 |
| Acquisitions, net of cash acquired | (20,098) | – | – | – | (20,098) |
| Net cash used in investing activities | (20,098) | (14,430) | (1,095) | – | (35,623) |
| Cash flows from financing activities: | | | | | |
| Proceeds from debt | 8,000 | – | – | – | 8,000 |
| Repayments | (1,455) | (18) | – | – | (1,473) |
| Intercompany advances | 42,108 | (40,489) | (1,619) | – | – |
| Redemption of redeemable and convertible preferred stock of parent | (30) | – | – | – | (30) |
| Capital contributions from parent | 30 | – | – | – | 30 |
| Deferred financing fees | (826) | – | – | – | (826) |
| Cash flows (used in) provided by financing activities | 47,827 | (40,507) | (1,619) | – | 5,701 |

| | | | | | |
|---|---|---|---|---|---|
| Effect of exchange rate changes in cash | – | (58) | (106) | – | (164) |
| Net decrease in cash and cash equivalents | (4,748) | (3,883) | 15 | – | (8,616) |
| Cash and cash equivalents, beginning of period | 12,267 | 2,438 | 1,299 | – | 16,004 |
| Cash and cash equivalents, end of period | $ 7,519 | $ (1,445) | $ 1,314 | $ – | $ 7,388 |



**Consolidating Statements of Cash Flows**
**Nine months ended September 30, 2004 (in thousands):**

| | Holdings | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash provided by (used in) operating activities | $ (15,059) | $ 19,560 | $ 1,678 | $ – | $ 6,179 |
| Cash flows from investing activities: | – | | | | |
| Capital expenditures | – | (7,778) | (940) | – | (8,718) |
| Transferred assets | – | (8) | 8 | – | – |
| Proceeds from sale of equipment | – | 1,402 | – | – | 1,402 |
| Acquisitions, net of cash acquired | (219,305) | 5,304 | – | – | (214,001) |
| Net cash used in investing activities | (219,305) | (1,080) | (932) | – | (221,317) |
| Cash flows from financing activities: | | | | | |
| Borrowing | 372,000 | – | – | – | 372,000 |
| Repayments | (148,394) | (36,153) | – | – | (184,547) |
| Intercompany advances | (14,567) | 14,715 | (148) | – | – |
| Capital contributions from parent | 67,862 | – | – | – | 67,862 |
| Redemption of redeemable and convertible preferred stock of parent | (12,563) | – | – | – | (12,563) |
| Dividends paid on redeemable and convertible preferred stock of parent | (8,201) | – | – | – | (8,201) |
| Deferred financing fees | (15,968) | – | – | – | (15,968) |
| Cash flows provided by (used in) financing activities | 240,169 | (21,438) | (148) | – | 218,583 |
| Effect of exchange rate changes in cash | – | 4 | (20) | – | (16) |
| Net increase/(decrease) in cash and cash equivalents | 5,805 | (2,954) | 578 | – | 3,429 |
| Cash and cash equivalents, beginning of year | 14 | 3,394 | 566 | – | 3,974 |
| Cash and cash equivalents, end of year | $ 5,819 | $ 440 | $ 1,144 | $ – | $ 7,403 |



## ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", may constitute forward-looking statements. In some cases you can identify these "forward-looking statements" by words like "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of those words and other comparable words. These forward-looking statements involve risks and*

*uncertainties. Our actual results could differ materially from those indicated in these statements as a result of certain factors as more fully discussed under the heading "Risk Factors" contained in our annual report on Form 10-K filed on March 15, 2005 with the Securities and Exchange Commission (File No. 333-118675) for the Company's fiscal year ended December 31, 2004. The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein. We undertake no obligation to update publicly or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

Unless the context indicates otherwise, all references in this quarterly report to "Accellent," the "Company," "we," "our," or "us" mean Accellent Corp. and its subsidiaries. We are a wholly owned subsidiary of Accellent Inc., a Maryland corporation, which we refer to herein as "Accellent Inc." or "our parent."

**Overview**

We are the largest provider of outsourced precision manufacturing and engineering services in our target markets of the medical device industry. We offer our customers design and engineering, precision component manufacturing, device assembly and supply chain management services. We have extensive resources focused on providing our customers reliable, high quality, cost-efficient, integrated outsourced solutions. We often become the sole supplier of manufacturing and engineering services for the products we provide to our customers.

We primarily focus on the leading companies in three large and growing markets within the medical device industry: cardiology, endoscopy, and orthopaedics. Our customers include many of the leading medical device companies, including Abbott Laboratories, Boston Scientific, Guidant, Johnson & Johnson, Medtronic, Smith & Nephew, St. Jude Medical, Stryker, Tyco International and Zimmer. During 2004, our top 10 customers accounted for approximately 55% of net sales with two customers each accounting for greater than 10% of net sales. During the first nine months of 2005, our top 10 customers accounted for approximately 61% of net sales with three customers each accounting for greater than 10% of net sales. Although we expect net sales from our largest customers to continue to constitute a significant portion of our net sales in the future, Boston Scientific has informed us that it intends to transfer a number of products currently assembled by us to its own assembly operation. Based on preliminary estimates and our experience to date with this customer, we expect net sales from Boston Scientific to decrease annually by approximately $40 million, with the substantial majority of the net sales decrease taking place in 2006. While we believe that the transferred business can be replaced with new business from existing and potential new customers to offset the loss, there is no assurance that we will replace such business and the loss will not adversely affect our operating results in 2006 and thereafter. While net sales are aggregated by us to the ultimate parent of a customer, we typically generate diversified revenue streams within these large customers across separate divisions and multiple products.

On September 12, 2005, we, through our wholly owned subsidiary, CE Huntsville Holdings Corp., acquired substantially all of the assets of Campbell Engineering, Inc., or Campbell. The Campbell acquisition was accounted for as a purchase and accordingly our results of operations include Campbell' s results beginning September 12, 2005. Campbell is an engineering and manufacturing firm providing design, analysis, precision fabrication, assembly and testing of primarily orthopaedic implants and instruments. Subject to the terms of the asset purchase agreement, we and our wholly-owned subsidiary CE Huntsville Holdings Corp. agreed to pay, in the aggregate, a cash purchase price for the assets (including the shareholder real property) of up to approximately $30.1 million, with approximately $18.1 million of which (before certain closing adjustments) was payable at the closing. The actual amount paid at closing after closing adjustments was $17.7 million, plus estimated closing costs of $0.5 million, for a total initial purchase price of $18.2 million. The remaining portion of the purchase price will be paid, if at all, pursuant to an earnout arrangement payable contingent upon the 2005 and 2006 full year financial performance of the acquired business. If earned, the 2005 and 2006 earnout payments would be expected to be made in



the second quarters of 2006 and 2007, respectively. The closing cash payment was funded with a combination of cash on hand and approximately $8.0 million of proceeds received from a draw on our existing revolving credit facility, or the Revolving Loan, included in the Credit Agreement. The Revolving Loan is a euro dollar rate loan accruing interest at an annual rate equal to LIBOR plus 3.00%. The Revolving Loan matures on June 30, 2010. In connection with the transaction, CE Huntsville Holdings Corp. became a subsidiary guarantor of the Senior Subordinated Notes and of our obligations under our Credit Agreement.

Subsequent to our third quarter of 2005, on October 6, 2005, we purchased 100% of the outstanding membership interests in Machining Technology Group, LLC, or MTG, an Arlington, Tennessee based privately held manufacturing and engineering company specializing in rapid prototyping and manufacturing of specialized orthopaedic implants and instruments for the orthopaedic industry. The acquisition was consummated pursuant to an Interest Purchase Agreement, dated as of October 6, 2005, by and among Accellent Corp., Gary Stavrum and Timothy Hanson, the members of MTG (the "Interest Purchase Agreement"). Subject to the terms of the Interest Purchase Agreement, we agreed to pay, in the aggregate, approximately $50.2 million consisting of (i) approximately $33.0 million in cash (before certain closing adjustments) which was paid at the closing, (ii) $16.2 million which was paid at the closing on our behalf by our parent company by the issuance of 407,407 shares of our parent' s Class A-9 5% Convertible Preferred Stock, and (iii) estimated closing costs of $1.0 million. An additional $6.0 million will be paid, if at all, pursuant to an earnout arrangement payable contingent upon the 2006 full year financial performance of MTG. If the earnout arrangement is earned, the earnout payment would be expected to be made in the second quarter of 2007. The closing cash payment was funded with a combination of approximately $21.5 million of proceeds received from a draw on our existing revolving credit facility pursuant to our Credit Agreement, and approximately $12.5 million of proceeds received from the utilization of the term loan facility provided for under the Credit Agreement.

On October 7, 2005, our parent signed a definitive agreement and plan of merger (the "Merger Agreement") with Accellent Acquisition Corp., an affiliate of Kohlberg Kravis Roberts & Co. L.P. (the "KKR Affiliate"), whereby a wholly-owned subsidiary of the KKR Affiliate will merge (the "Merger") with and into our parent, Accellent Inc., with Accellent Inc. being the surviving entity. In addition, the KKR Affiliate, our parent and certain stockholders of our parent executed a voting agreement in which the stockholders agreed to vote their shares in favor of the Merger.

On October 21, 2005, we commenced a cash tender offer (the "Offer") and consent solicitation (the "Solicitation") for any and all of the outstanding Senior Subordinated Notes. The consents of the holders of the outstanding Senior Subordinated Notes (each a "Holder") are being solicited in the Solicitation to eliminate substantially all of the restrictive and reporting covenants, certain events of default and certain other provisions in the Indenture. The Offer is scheduled to expire at 5:00 p.m., New York City time, on November 21, 2005, unless extended by us. The Solicitation is scheduled to expire at 5:00 p.m., New York City time, on November 3, 2005, unless extended by us. For a further discussion of the Offer and the Solicitation, see the Company' s Current Report on Form 8-K filed with Securities and Exchange Commission, or SEC, on October 24, 2005.

The Merger is subject to various customary conditions, including adoption of the Merger Agreement by our parent' s stockholders, the expiration or early termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the absence of certain legal impediments, the receipt of certain regulatory approvals and the receipt of debt and equity financings. If all of the other conditions to the Merger are satisfied, under the terms of the existing financing commitment letters, our parent can consummate the Merger even if the Offer is not consummated and the requisite consents, as defined in the Offer, are not obtained through a covenant defeasance of the Senior Subordinated Notes in accordance with the terms of the Senior Subordinated Notes. If the Merger is not consummated, we will not purchase any of the Senior Subordinated Notes tendered pursuant to the Offer or cause the proposed amendments to the indenture governing the Senior Subordinated Notes (the "Indenture") in the Offer to become operative. The proposed amendments, or the Amendments, include the elimination of substantially all of the restrictive and reporting convenants, certain events of default and certain other provisions of the Senior Subordinated Notes so that any non-tendered Senior Subordinated Notes do not restrict our future financial or operating flexibility.

We primarily recognize product net sales upon shipment, when title passes to the customer or, if products are shipped on consignment to a particular customer, when the customer uses the product. For services, we recognize net sales during the period in which our services are rendered. We primarily generate our net sales domestically. In 2004, approximately 85% of our net sales were sold to customers located in the U.S. Since a substantial majority of the leading medical device companies are located in the U.S., we expect our net sales to U.S.-based companies to remain a high percentage of our net sales in the future.

Our operations are based on purchase orders that typically provide for 30 to 90 days delivery from the time the purchase order is received, but which can provide for delivery within 30 days or up to 180 days, depending on the product and the customer' s ability to forecast requirements.

Cost of goods sold includes raw materials, labor and other manufacturing costs associated with the products we sell. Some products incorporate precious metals, such as gold, silver and platinum. Changes in prices for those commodities are generally passed through to our customers.

Selling, general and administrative expenses include salaries, sales commissions, and other selling and administrative costs.

Amortization of intangible assets is primarily related to our acquisitions of G&D, Inc. d/b/a Star Guide, Noble-Met, Ltd., UTI Corporation, American Technical Molding, Inc., Venusa, Ltd. and Venusa de Mexico, S.A. de C.V. (together with Venusa, Ltd., "Venusa"), MedSource and Campbell Engineering, Inc. Interest expense is primarily related to indebtedness incurred to finance our acquisitions.

Concurrent with our acquisition of MedSource on June 30, 2004, we aligned our management by the three medical device market segments which we serve. As a result of this alignment, we have three operating segments: endoscopy, cardiology and orthopaedics. We have determined that all of our operating segments meet the aggregation criteria of paragraph 17 of SFAS No. 131, and are treated as one reportable segment.

In connection with the MedSource acquisition, we identified $17.2 million of costs associated with eliminating duplicate positions and plant consolidations, which is comprised of $9.7 million in severance payments and $7.5 million in lease termination and other contract termination costs. Severance payments relate to approximately 520 employees in manufacturing, selling and administration and are expected to be paid by the end of fiscal year 2007. All other costs are expected to be paid by 2018. The costs of these plant consolidations were reflected in the purchase price of MedSource in accordance with the FASB Emerging Issues Task Force ("EITF") No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination.* These costs include estimates to close facilities and consolidate manufacturing capacity, and are subject to change based on the actual costs incurred to close these facilities. Changes to these estimates could increase or decrease the amount of the purchase price allocated to goodwill in the near term. During the first nine months of fiscal year 2005, we decreased the estimated liability for the MedSource facilities consolidation by $4.3 million, resulting in a decrease to the purchase price allocation to goodwill in the same amount. The MedSource acquisition is described in greater detail under Part I, Item 1 "Financial Statements, Note 2 – Acquisitions."

The following table summarizes the recorded accruals and activity related to the restructuring activities (in thousands):

| | Employee costs | Other costs | Total |
|---|---|---|---|
| Balance as of December 31, 2004 | $ 7,764 | $ 9,913 | $ 17,677 |
| Adjustment to planned plant closure and severance costs for the MedSource integration (reduction to the purchase price allocated to goodwill) | (1,932) | (2,387) | (4,319) |
| Restructuring and integration charges incurred | 1,191 | 2,633 | 3,824 |
| Paid year-to-date | (3,886) | (3,080) | (6,966) |
| Balance September 30, 2005 | $ 3,137 | $ 7,079 | $ 10,216 |



**Results of Operations**

The following table sets forth percentages derived from the consolidated statements of operations for the three and nine months ended September 30, 2005 and 2004, presented as a percentage of net sales.

| | Three months ended September 30, | Nine months ended September 30, |
|---|---|---|

| | 2005 | 2004 | 2005 | 2004 |
|---|---|---|---|---|
| STATEMENT OF OPERATIONS DATA: | | | | |
| Net Sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of Sales | 68.4 | 77.2 | 68.8 | 73.0 |
| Gross Profit | 31.6 | 22.8 | 31.2 | 27.0 |
| Selling, General and Administrative Expenses | 15.9 | 14.1 | 14.5 | 14.4 |
| Research and Development Expenses | 0.7 | 0.8 | 0.7 | 1.0 |
| Restructuring and Other Charges | 1.0 | 2.1 | 1.1 | 1.0 |
| Amortization of Intangibles | 1.4 | 1.5 | 1.4 | 1.9 |
| Income from Operations | 12.6 | 4.3 | 13.5 | 8.7 |

**Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004**

*Net Sales*

Net sales for the third quarter of 2005 were $116.7 million, an increase of $16.4 million or 16% compared to net sales of $100.3 million for the third quarter of 2004. Higher net sales was due to a $19.4 million increase from higher shipments as we were awarded new products and increases in unit shipments on existing products to customers that serve the endoscopic, cardiology and orthopaedic markets, and the acquisition of Campbell, which increased net sales by $0.7 million. These increases were partially offset by our facility rationalization program, which included the closing or sale of select facilities, resulting in a reduction in net sales attributable to former MedSource facilities of $3.7 million for the third quarter of 2005. Three customers, Johnson & Johnson, Boston Scientific and Medtronic each accounted for greater than 10% of net sales for the third quarter of 2005. Two customers, Boston Scientific and Johnson & Johnson, accounted for greater than 10% of net sales for the third quarter of 2004.

*Gross Profit*

Gross profit for the third quarter of 2005 was $36.9 million as compared to $22.8 million for the third quarter of 2004. The $14.1 million increase in gross profit was primarily due to the MedSource acquisition and unit volume increases. Additionally, gross profit for the third quarter of 2004 included a $3.2 million write-off of the step-up of inventory related to the acquisition of MedSource. Gross profit for the third quarter of 2005 includes a $0.1 million write-off of the step-up of inventory related to the acquisition of Campbell.

Gross margin was 31.6% of net sales for the third quarter of 2005 as compared to 22.8% of net sales for the third quarter of 2004. The increase in gross margins is due to increased sales, which lead to improved leverage of our fixed cost of sales, and cost reduction efforts including the closure of production facilities. Also, gross margin for the third quarter of 2004 included the write-off of the step-up of inventory related to the acquisition of MedSource, which reduced gross margin by 3.2% in that quarter.

*Selling, General and Administration Expenses*

Selling, general and administrative expenses, or SG&A, were $18.5 million for the third quarter of 2005 compared to $14.1 million for the third quarter of 2004. The increase in SG&A costs were primarily due to an increase in non-cash stock-based compensation of $2,625,000 for the third quarter of 2005 as a result of our increased liability for phantom stock plans due to the increase in value of our parent' s stock, and to amortize compensation related to restricted stock and stock options granted during the third quarter of 2005. In addition, our SG&A expenses for the third quarter of 2005 include $0.6 million of expenses related to the Merger.



In July 2005, the Board of Directors of our parent approved the grant of 609,237 shares of restricted common stock of our parent to certain members of its and our management. Each shares vests 100% on the four year anniversary from the date of grant. We are recording compensation expense of $10.0 million over the vesting period of the restricted stock, or 48 months, resulting in a quarterly compensation charge to SG&A expense of $624,000 starting in July 2005. Also in July 2005, the Board of Directors of our parent approved the grant of

281,152 stock options to certain members of its and our management at option prices that are below the fair market value of the underlying common stock. We are recording compensation expense of $2.3 million over the vesting period of the stock options, or 60 months, resulting in a quarterly compensation charge to SG&A of $115,000 starting in July 2005. If the Merger is consummated, the restricted stock and stock options granted in July 2005 will fully vest, resulting in an acceleration of all remaining unamortized non-cash stock based compensation.

SG&A expenses were 15.9% of net sales for the third quarter of 2005 versus 14.1% of net sales for the third quarter of 2004. The increased percentage was primarily due to increased charges for stock-based compensation.

*Research and Development Expenses*

Research and development expenses, or R&D, for the third quarter of 2005 were $0.9 million or 0.7% of net sales, which is relatively unchanged from R&D expenses of $0.8 million or 0.8% of net sales for the third quarter of 2004.

*Restructuring and Other Charges*

We recognized $1.2 million of restructuring charges and acquisition integration costs during the third quarter of 2005, including $0.3 million of severance costs and $0.7 million of other exit costs including costs to move production processes from five facilities that are in the process of being closed and production transferred to our other existing facilities. In addition, we incurred $0.2 million of costs for the integration of MedSource during the third quarter of 2005.

*Amortization*

Amortization was $1.6 million for the third quarter of 2005, a slight increase from the $1.5 million for the third quarter of 2004. The higher amortization was primarily due to the acquisition of Campbell, which we acquired on September 12, 2005. Based on our initial estimate of the value of assets acquired from Campbell, we expect to incur approximately $0.5 million of annual amortization expense relating to intangible assets acquired from Campbell.

*Interest Expense, net*

Interest expense, net was $8.0 million for the third quarter of 2005 compared to $7.4 million for the third quarter of 2004. The increase is primarily due to higher interest rates charged on borrowings outstanding under our Credit Agreement, which bear interest at a variable rate.

*Income Tax Expense*

Income tax expense for the third quarter of 2005 was $3.9 million, or 57.8% of pre-tax net income, and includes $2.7 million in charges for non-cash deferred income taxes, including $2.3 million for tax benefits acquired from MedSource which have been credited to goodwill and not benefited in the statement of operations and $0.4 million of charges for the different book and tax treatment of goodwill. The remaining $1.5 million of income tax expense for the third quarter of 2005 includes $1.4 million for certain state and foreign income taxes and $0.1 million for domestic federal income tax expense. We expect to offset most of our 2005 domestic federal income taxes with net operating loss carryforwards. For the third quarter of fiscal year 2004, income tax expense was $1.3 million on a pre-tax net loss of $3.1 million, and as was comprised primarily of certain state and foreign income tax expense.

**Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004**

*Net Sales*

Net sales for the first nine months of 2005 were $340.3 million, an increase of $127.8 million or 60% compared to net sales of $212.5 million for the first nine months of 2004. Higher net sales was due to the acquisition of MedSource, which increased net sales by $89.8 million, a $49.3 million increase primarily due to higher shipments as we were awarded new products

and increases in unit shipments on existing products to customers that serve the endoscopic, cardiology and orthopaedic markets as well as $0.7 million from the acquisition of Campbell. These increases were partially offset by our facility rationalization program, which included the closing or sale of select facilities, resulting in a reduction in net sales attributable to former MedSource facilities of $12.0 million for the first nine months of 2005. Three customers, Boston Scientific, Johnson & Johnson and Medtronic each accounted for greater than 10% of net sales for the first nine months of 2005. Two customers, Boston Scientific and Johnson & Johnson each accounted for greater than 10% of net sales for the first nine months of 2004.

*Gross Profit*

Gross profit for the first nine months of 2005 was $106.1 million compared to $57.3 million for the first nine months of 2004. The $48.8 million increase in gross profit was primarily due to the MedSource acquisition and unit volume increases. Additionally, gross profit for the first nine months of 2004 included a $3.4 million write-off of the step-up of inventory related to the acquisition of MedSource, and gross profit for the first nine months of 2005 included a $0.1 million write-off of the step-up of inventory related to the acquisition of Campbell.

Gross margin was 31.2% of net sales for the first nine months of 2005 compared to 27.0% of net sales for the first nine months of 2004. The increase in gross margins is due to increased sales, which lead to improved leverage of our fixed cost of sales, and cost reduction efforts. Also, gross margin for the first nine months of 2004 included the write-off of the step-up of inventory related to the acquisition of MedSource, which reduced gross margin by 1.6% in that period.

*Selling, General and Administration Expenses*

SG&A expenses, were $49.5 million for the first nine months of 2005 compared to $30.7 million for the first nine months of 2004. The increase in SG&A costs were primarily due to the acquisition of MedSource and stock-based compensation charges of $3.6 million during the first nine months of 2005 as a result of our increased liability for phantom stock plans due to the increase in value of our parent' s stock, and to amortize compensation expense associated with restricted stock and stock options granted during the third quarter of 2005. In addition, our SG&A expenses for the first nine months of 2005 include $0.6 million of expenses related to the Merger.

SG&A expenses were 14.5% of net sales for the first nine months of 2005 versus 14.4% of net sales for the first nine months of 2004. The higher 2005 percentage was driven primarily by increased charges for stock-based compensation in the 2005 period.

*Research and Development Expenses*

R&D expenses for the first nine months of 2005 were $2.3 million or 0.7% of net sales, compared to $2.0 million or 1.0% of net sales for the first nine months of 2004. The lower 2005 percentage was driven by sales growth, which lead to improved leverage of our fixed R&D costs.

*Restructuring and Other Charges*

We recognized $3.8 million of restructuring charges and acquisition integration costs during the first nine months of 2005, including $1.2 million of severance costs and $2.1 million of other exit costs including costs to move production processes from five facilities that are closing to our other production facilities. In addition to the $3.3 million in restructuring charges incurred during first nine months of 2005, we incurred $0.5 million of costs for the integration of MedSource.

*Amortization*

Amortization was $4.7 million for the first nine months of 2005 compared to $3.9 million for the first nine months of 2004. The higher amortization was primarily due to the acquisition of MedSource.

*Interest Expense, net*

Interest expense, net was $23.7 million for the first nine months of 2005 compared to $19.4 million for the first nine months of 2004. The increase was due to increased debt incurred to acquire MedSource. This increase was partially offset by



$4.5 million of accelerated amortization of debt discounts and deferred financing costs incurred during the first nine months of 2004 due to the refinancing of our old senior secured credit facility and various senior subordinated indebtedness.

*Other expense*

Other expense was $0.1 million for the first nine months of 2005 compared to $3.3 million for the first nine months of 2004. The decrease is primarily due to debt prepayment penalties of $3.3 million incurred during the first nine months of 2004.

*Income Tax Expense*

Income tax expense for the nine months ended September 30, 2005 was $10.0 million on pre-tax income of $22.0 million, or 45.7% of pre-tax income. The effective rate is higher than the statutory rate primarily due to $6.5 million in charges for non-cash deferred income taxes, including $5.2 million for tax benefits acquired from MedSource that have been credited to goodwill and not benefited in the statement of operations and $1.3 million of charges for the different book and tax treatment for goodwill. The remaining $3.5 million of income tax expense for the nine months ended September 30, 2005 includes $3.3 million for certain state and foreign income taxes and $0.2 million for domestic federal income taxes. For the nine months ended September 30, 2004, we recorded a tax provision of $2.3 million on a pre-tax net loss of $4.1 million, primarily due to provisions for certain state and foreign income taxes.

**Liquidity and Capital Resources**

Our principal sources of liquidity are cash provided by operations and borrowings under our Credit Agreement which includes a five-year $40.0 million revolving credit facility and a six-year $194.0 million term facility. Additionally, we may borrow up to $50.0 million in additional term loans, with the approval of participating lenders. Our Credit Agreement is described in greater detail under Part I, Item 1, Note 6 – "Short-term and long-term debt," and under Part II, Item 7 "Management' s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

At September 30, 2005, we had $5.8 million of letters of credit outstanding and $8.0 million of revolving loans that reduced the amounts available under the revolving credit portion of our Credit Agreement to $26.2 million. We received $12.5 million from additional terms loans in October 2005 in connection with our acquisition of MTG. In addition, we drew an additional $21.5 million in revolving loans on our revolving credit facility in October 2005 in connection with our acquisition of MTG, leaving $4.7 million available under the revolving credit facility under the Credit Agreement.

During the first nine months of 2005, cash provided by operating activities was $21.5 million compared to $6.2 million for the first nine months of 2004. The increase in cash provided by operations is primarily due to increased profitability as a result of the acquisition of MedSource and increased demand for our products. The increase in profitability has been partially offset by increases in working capital for inventory and accounts receivable due to higher sales, payments related to our restructuring programs, and the timing of the semi-annual interest payments on our Senior Subordinated Notes.

During the first nine months of 2005, cash used in investing activities totaled $35.6 million compared to $221.3 million for the first nine months of 2004. The decrease in cash used in investing activities is attributable to the acquisition of MedSource, which used $204.4 million of cash during the first nine months of 2004, and an earn-out payment relating to our acquisition of Venusa, which used $9.6 million of cash during the first nine months of 2004. These costs were partially offset by the acquisition of Campbell for $17.9 million in cash during

the first nine months of 2005, the final Venusa earn-out payment of $2.2 million during the first nine months of 2005, and increased capital expenditures of $6.9 million during the first nine months of 2005 due to the acquisition of MedSource and increased demand for our products.

During the first nine months of 2005, cash provided by financing activities was $5.7 million and consisted of $8.0 million in proceeds from long-term debt to partially fund our Campbell acquisition, $1.5 million of scheduled debt payments pursuant to our Credit Agreement, and $0.8 million of deferred financing fees incurred in connection with the amendment of our Credit Agreement in March 2005. Cash provided by financing activities was $218.6 million for the first nine months of 2004 and relate primarily to the following financing transactions, which took place in conjunction with our June 30, 2004 acquisition of MedSource:



The issuance of $369.0 million of indebtedness consisting of our Credit Agreement, which is a $194.0 million six-year term facility, and $175.0 million of 10% Senior Subordinated Notes due July 15, 2012. We incurred $17.1 million of fees related to the new debt.

The repayment of all previously outstanding debt, which included our credit facility of $83.5 million, our senior subordinated notes of $21.5 million and our parent' s senior notes of $38.3 million.

The repayment of all MedSource debt and capital leases totaling $36.1 million.

The payment by our parent of $22.2 million of dividends.

The repurchase by our parent of $18.8 million of its Class C Redeemable Preferred Stock.

The issuance by our parent of 7,568,980 shares of its Class A-8 5% Convertible Preferred stock for approximately $88.0 million, net of $1.8 million of fees.

We anticipate that we will spend approximately $8.0 to $10.0 million on capital expenditures for the remainder of 2005. Our Credit Agreement contains restrictions on our ability to make capital expenditures. Based on current estimates, our management believes that the amount of capital expenditures permitted to be made under our Credit Agreement for the remainder of 2005 will be adequate to grow our business according to our business strategy and to maintain our continuing operations.

Our principal uses of cash will be to meet debt service requirements, fund working capital requirements and finance capital expenditures and acquisitions. Our ability to make payments on our indebtedness and to fund planned capital expenditures and necessary working capital will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. For example, Boston Scientific has informed us that it intends to transfer a number of products currently assembled by us to its own assembly operation. Based on our current level of operations, we believe our cash flow from operations and available borrowings under our Credit Agreement will be adequate to meet our liquidity requirements for the next 12 months and the foreseeable future. No assurance can be given, however, that this will be the case.

Consummation of the Merger will constitute a Change of Control (as defined in the Indenture) pursuant to the terms of the Indenture. Following a Change of Control, each Holder currently has the right, at the option of the Holder, to require the Company to purchase all or any portion of such Holder' s Senior Subordinated Notes no later than 90 days following the Change of Control at a price equal to 101% of the principal amount represented by such Senior Subordinated Notes together with accrued but unpaid interest, if any, to the date of purchase. In the event that consents from the Holders of a majority of the aggregate principal amount of the outstanding Senior Subordinated Notes (the "Requisite Consents") are obtained and the Company consummates the Offer and Solicitation, the Company will not be required to comply with the foregoing requirements.

In connection with the Merger, we intend to consummate an offering of new senior subordinated notes and enter into a new senior secured credit facility, the proceeds of which will be used to repay certain of our outstanding indebtedness, including the Offer and Solicitation (the "New Financing"). The commitments for the New Financing also provide that in the event that the Requisite Consents are

not obtained, a covenant defeasance of all of the Senior Subordinated Notes may be effected in accordance with the terms of the Indenture. The completion of the New Financing may, if the proposed Amendments are not adopted, violate certain covenants and other provisions in the Indenture.

Assuming the Merger is consummated, the Requisite Consents are obtained and we consummate the New Financing, we and our parent will experience a significant increase in our long-term indebtedness. The high degree of leverage may, among other things, make it more difficult for us to make payments on the Senior Subordinated Notes that remain outstanding after the Offer, limit our ability to obtain additional financing for working capital, capital expenditures and other general corporate purposes and limit our use of cash flows from operations for our operations, capital expenditures and future business opportunities. In addition, the Senior Subordinated Notes that remain outstanding after the Offer will remain our unsecured obligations. The Senior Subordinated Notes will be effectively subordinated to the new senior secured credit facility. In addition, we may incur or guarantee additional secured debt pursuant to the New Financing, and the Senior Subordinated Notes will be effectively junior to any such additional secured debt we may incur or guarantee.



**Off-Balance Sheet Arrangements**

We do not have any "off-balance sheet arrangements" (as such term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Contractual Obligations and Commitments**

The following table sets forth our long-term contractual obligations as of September 30, 2005 (in thousands):

| | Payment due by period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Credit Agreement | $ 191,575 | $ 1,940 | $ 3,880 | $ 185,755 | $ – |
| Senior Subordinated Notes | 175,000 | – | – | – | 175,000 |
| Capital Leases | 49 | 21 | 14 | 14 | – |
| Operating Leases (1) | 42,178 | 5,622 | 9,398 | 8,021 | 19,137 |
| Purchase Commitments | 27,347 | 27,347 | – | – | – |
| Other long-term obligations (2) | 18,521 | 276 | 1,746 | 277 | 16,222 |
| Total | $ 454,670 | $ 35,206 | $ 15,038 | $ 194,067 | $ 210,359 |

(1) Accrued future rental obligations of $6.7 million included in other long-term liabilities on our consolidated balance sheet as of September 30, 2005 are included in our operating leases in the table of contractual obligations. The amounts shown as contractual obligations for operating leases include lease extensions options which we expect will be exercised.

(2) Other long-term obligations include environmental remediation obligations of $4.7 million, accrued severance benefits of $1.5 million, accrued compensation and pension benefits of $7.2 million, deferred income taxes of $4.7 million and deferred rent expense of $0.4 million.

**Critical Accounting Policies**

Our unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable

under the circumstances. Estimates and assumptions are reviewed on an ongoing basis and the effects of revisions are reflected in the unaudited consolidated financial statements in the period they are determined to be necessary. Actual results could differ materially from those estimates under different assumptions or conditions. We believe the following critical accounting policies impact our judgments and estimates used in the preparation of our consolidated financial statements.

*Revenue Recognition.* The amount of product revenue recognized in a given period is impacted by our judgments made in establishing our reserve for potential future product returns. We provide a reserve for our estimate of future returns against revenue in the period the revenue is recorded. Our estimate of future returns is based on such factors as historical return data the timing of historical returns as compared to the sale date. The amount of revenue we recognize will be directly impacted by our estimates made to establish the reserve for potential future product returns. Our provision for sales returns was $1.1 million and $0.8 million at September 30, 2005 and December 31, 2004, respectively.

*Allowance for Doubtful Accounts.* We estimate the collectibility of our accounts receivable and the related amount of bad debts that may be incurred in the future. The allowance for doubtful accounts results from an analysis of specific customer accounts, historical experience, credit ratings and current economic trends. Based on this analysis, we provide allowances for specific accounts where collectibility is not reasonably assured.



*Provision for Inventory Valuation.* Inventory purchases and commitments are based upon future demand forecasts. Excess and obsolete inventory are valued at their net realizable value, which may be zero. We periodically experience variances between the amount of inventory purchased and contractually committed to and our demand forecasts, resulting in excess and obsolete inventory valuation charges.

*Valuation of Goodwill.* Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. In accordance with SFAS No. 142, goodwill is assigned to the reporting unit expected to benefit from the synergies of the combination. We have assigned our goodwill to three reporting units. Goodwill for each reporting unit is subject to an annual impairment test, or more often if impairment indicators arise, using a fair-value-based approach. In assessing the fair value of goodwill, we make projections regarding future cash flow and other estimates, and may utilize third party appraisal services. If these projections or other estimates for one or all of these reporting units change, we may be required to record an impairment charge.

*Valuation of Long-lived Assets.* Long-lived assets are comprised of property, plant and equipment and intangible assets with finite lives. We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable through projected undiscounted cash flows expected to be generated by the asset. When we determine that the carrying value of intangible assets and fixed assets may not be recoverable, we measure impairment by the amount by which the carrying value of the asset exceeds the related fair value. Estimated fair value is generally based on projections of future cash flows and other estimates, and guidance from third party appraisal services.

*Self Insurance Reserves.* We accrue for costs to provide self insured benefits under our workers' compensation and employee health benefits programs. With the assistance of third party workers' compensation experts, we determine the accrual for workers' compensation losses based on estimated costs to resolve each claim. We accrue for self insured health benefits based on historical claims experience. We maintain insurance coverage to prevent financial losses from catastrophic workers' compensation or employee health benefit claims. Our financial position or results of operations could be impacted in a fiscal quarter due to a material increase in claims. Our accruals for self insured workers compensation and employee health benefits at September 30, 2005 and December 31, 2004 were $3.9 million and $3.3 million, respectively.

*Environmental Reserves.* We accrue for environmental remediation costs when it is probable that a liability has been incurred and a reasonable estimate of the liability can be made. Our remediation cost estimates are based on the facts known at the current time including consultation with a third party environmental specialist and external legal counsel. Changes in environmental laws, improvements in remediation technology and discovery of additional information concerning known or new environmental matters could affect our operating results.

*Pension and Other Employee Benefits.* Certain assumptions are used in the calculation of the actuarial valuation of our defined benefit pension plans. These assumptions include the weighted average discount rate, rates of increase in compensation levels and expected long-term rates of return on assets. If actual results are less favorable than those projected by management, additional expense may be required.

*Income Taxes.* We estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as goodwill amortization, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we increase or decrease our income tax provision in our consolidated statement of operations. If any of our estimates of our prior period taxable income or loss prove to be incorrect, material differences could impact the amount and timing of income tax benefits or payments for any period.

**New Accounting Pronouncements**

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." SFAS No. 151 amends Accounting Research Bulletin ("ARB") No. 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overhead to inventory be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005.



We are currently assessing the impact that SFAS No. 151 will have on our results of operations, financial position or cash flows.

On December 16, 2004, the FASB issued SFAS No. 123 (Revised 2004), "Share-Based Payment." SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R are effective for our first annual period that begins after December 31, 2005. Accordingly, we will implement the revised standard in the first quarter of fiscal year 2006. Currently, we account for share-based payment transactions under the provisions of APB 25, which does not necessarily require the recognition of compensation cost in the financial statements. We are assessing the implications of this revised standard, which may materially impact our results of operations in the first quarter of fiscal year 2006 and thereafter.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

***Market Risk***

We are subject to market risk associated with change in interest rates and foreign currency exchange rates.

***Interest Rate Risk***

We are subject to market risk associated with change in the London Interbank Offered Rate (LIBOR) and the Federal Funds Rate published by the Federal Reserve Bank of New York in connection with the Credit Agreement. Based on the outstanding balance at September 30, 2005, a hypothetical 10% change in rates under the Credit Agreement would result in a change to our annual interest expense of approximately $1.2 million.

***Foreign Currency Risk***

We operate several facilities in foreign countries. At September 30, 2005, approximately $7.4 million of long-lived assets were located in foreign countries. Our principal currency exposures relate to the Euro, British pound and Mexican pesos. We consider the market risk to be low, as the majority of transactions at our European locations are denominated in the Euro or British Pound, and our exposure to date in the Mexican peso has not been significant.

**ITEM 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures.* We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified by the SEC' s rules and forms, and that information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on our management' s evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act ) are effective.

*Changes in Internal Control over Financial Reporting.* There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our third fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Under the direct supervision of senior management, the Company is currently undergoing a comprehensive effort to ensure compliance with the new regulations under Section 404 of the Sarbanes-Oxley Act of 2002 that will be effective with respect to us for our fiscal years ending December 31, 2007. Our effort includes identification and documentation of internal controls in our key business processes, as well as formalization of the Company' s overall control environment. We are currently in the process of documenting and evaluating these internal controls.



## PART II. OTHER INFORMATION

## ITEM 6. EXHIBITS

| Exhibit Number | Description of Exhibits |
|---|---|
| 4.1 | Supplemental Indenture, dated as of September 9, 2005, among CE Huntsville Holdings Corp., Accellent Corp. and U.S. Bank National Association, as trustee, with respect to the 10% Senior Subordinated Notes due 2012 |
| 4.2 | Pledge Supplement, dated as of September 9, 2005, delivered by CE Huntsville Holdings Corp. pursuant to the Pledge and Security Agreement |
| 4.3 | Consent to Amendment of the Amended and Restated Shareholders' Agreement, dated as of September 2004, among Accellent Inc. and the shareholders listed on the signature pages thereto |
| 4.4 | Consent to Amendment to Anti-Dilution Agreement, dated as of February 27, 2003, among Accellent Inc., DLJ Investment Partners II, L.P., DLJ Investment Partners, L.P., DLJIP II Holdings, L.P., and Security Life of Denver Insurance Company |
| 10.1 | Form of Non-Incentive Stock Option Agreement for use under the Amended and Restated Accellent Inc. 2000 Stock Option and Incentive Plan |
| 10.2 | Asset Purchase Agreement, dated as of September 12, 2005 by and among Accellent Corp., CE Huntsville Holdings Corp., Campbell Engineering, Inc. and the shareholders of Campbell Engineering, Inc. |
| 10.3 | Amended and Restated Accellent Inc. 2000 Stock Option and Incentive Plan (incorporated by reference to exhibit 10.1 to Accellent Corp.' s current report on Form 8-K (Commission File No. 333-118675) filed on July 21, 2005) |

| | |
|---|---|
| 10.4 | Form of Incentive Stock Option Agreement for use under the Amended and Restated Accellent Inc. 2000 Stock Option and Incentive Plan (incorporated by reference to exhibit 10.2 to Accellent Corp.' s current report on Form 8-K (Commission File No. 333-118675) filed on July 21, 2005) |
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer |
| 31.2 | Rule 13a-14(a) Certification of Chief Financial Officer |
| 32.1 | Section 1350 Certification of Chief Executive Officer |
| 32.2 | Section 1350 Certification of Chief Financial Officer |



## 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, thereunto duly authorized.

Accellent Corp.

November 1, 2005

By: /s/ Ron Sparks
Ron Sparks
*President and Chief Executive Officer*

Accellent Corp.

November 1, 2005

By: /s/ Stewart A. Fisher
Stewart A. Fisher
*Chief Financial Officer, Vice President, Treasurer and Secretary*



## EXHIBIT INDEX

| Exhibit Number | Description of Exhibits |
|---|---|
| 4.1 | Supplemental Indenture, dated as of September 9, 2005, among CE Huntsville Holdings Corp., Accellent Corp. and U.S. Bank National Association, as trustee, with respect to the 10% Senior Subordinated Notes due 2012 |
| 4.2 | Pledge Supplement, dated as of September 9, 2005, delivered by CE Huntsville Holdings Corp. pursuant to the Pledge and Security Agreement |
| 4.3 | Consent to Amendment of the Amended and Restated Shareholders' Agreement, dated as of September 2004, among Accellent Inc. and the shareholders listed on the signature pages thereto |
| 4.4 | Consent to Amendment to Anti-Dilution Agreement, dated as of February 27, 2003, among Accellent Inc., DLJ Investment Partners II, L.P., DLJ Investment Partners, L.P., DLJIP II Holdings, L.P., and Security Life of Denver Insurance Company |

| | |
|---|---|
| 10.1 | Form of Non-Incentive Stock Option Agreement for use under the Amended and Restated Accellent Inc. 2000 Stock Option and Incentive Plan |
| 10.2 | Asset Purchase Agreement, dated as of September 12, 2005 by and among Accellent Corp., CE Huntsville Holdings Corp., Campbell Engineering, Inc. and the shareholders of Campbell Engineering, Inc. |
| 10.3 | Amended and Restated Accellent Inc. 2000 Stock Option and Incentive Plan (incorporated by reference to exhibit 10.1 to Accellent Corp.' s current report on Form 8-K (Commission File No. 333-118675) filed on July 21, 2005) |
| 10.4 | Form of Incentive Stock Option Agreement for use under the Amended and Restated Accellent Inc. 2000 Stock Option and Incentive Plan (incorporated by reference to exhibit 10.2 to Accellent Corp.' s current report on Form 8-K (Commission File No. 333-118675) filed on July 21, 2005) |
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer |
| 31.2 | Rule 13a-14(a) Certification of Chief Financial Officer |
| 32.1 | Section 1350 Certification of Chief Executive Officer |
| 32.2 | Section 1350 Certification of Chief Financial Officer |

**Exhibit 4.1**

## SUPPLEMENTAL INDENTURE

**SUPPLEMENTAL INDENTURE** (this "Supplemental Indenture"), dated as of September 9, 2005, among the Guarantor(s) listed on the signature page attached hereto (each a "Guaranteeing Subsidiary"), a subsidiary of Accellent Corp. (f/k/a Medical Device Manufacturing, Inc.) (or its permitted successor), a Colorado corporation (the "Company"), the Company and U.S. Bank National Association, as trustee under the Indenture referred to below (the "Trustee").

**W I T N E S S E T H**

**WHEREAS**, the Company has heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of June 30, 2004, providing for the issuance of 10% Senior Subordinated Notes due 2012 (the "Notes");

**WHEREAS**, the Indenture provides that under certain circumstances each Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which any newly-acquired or created Guarantor shall unconditionally guarantee on a senior subordinated basis all of the Company' s obligations under the Notes and the Indenture on the terms and conditions set forth herein (a "Subsidiary Guarantee"); and

**WHEREAS**, pursuant to Section 9.1 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

**NOW THEREFORE**, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. ***Capitalized Terms.*** Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. ***Agreement to Guarantee.*** Each Guaranteeing Subsidiary irrevocably and unconditionally guarantees on a senior subordinated basis the Guarantee Obligations, which include (i) the due and punctual payment of the principal of, premium, if any, and interest and Liquidated Damages, if any, on the Notes, whether at maturity, by acceleration, call for redemption, upon a Change of Control Offer, upon an Asset Sale Offer or otherwise, the due and punctual payment of interest on the overdue principal and premium, if any, and (to the extent permitted by law) interest on any interest on the Notes, and payment of expenses, and the due and punctual performance of all other obligations of the Company, to the Holders or the Trustee all in accordance with the terms set forth in Article X of the Indenture, and (ii) in case of any extension of time of payment or renewal of any Notes or any such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration, call for redemption, upon a Change of Control Offer, upon an Asset Sale Offer or otherwise.

The obligations of each Guaranteeing Subsidiary to the Holders and to the Trustee pursuant to this Subsidiary Guarantee and the Indenture (i) are expressly set forth in Article X of the Indenture and reference is hereby made to such Indenture for the precise terms of this Subsidiary Guarantee and (ii) are subordinated to the Senior Indebtedness of each Guaranteeing Subsidiary as set forth in Section 10.7 and Article XI of the Indenture and reference is hereby made to such Section and Article for the precise terms of such subordination.

No past, present or future director, officer, employee, incorporator or stockholder (direct or indirect) of the Guaranteeing Subsidiary (or any such successor entity), as such, shall have any liability for any obligations of the Guaranteeing Subsidiary under this Subsidiary Guarantee or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation, except in their capacity as an obligor or Guarantor of the Notes in accordance with the Indenture.

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This is a continuing Guarantee and shall remain in full force and effect and shall be binding upon each Guaranteeing Subsidiary and its successors and assigns until full and final payment of all of the Company' s obligations under the Notes and Indenture or until released in accordance with the Indenture and shall inure to the benefit of the successors and assigns of the Trustee and the Holders, and, in the event of

any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges herein conferred upon that party shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. This is a Guarantee of payment and performance and not of collectibility.

The obligations of each Guaranteeing Subsidiary under its Subsidiary Guarantee shall be limited to the extent necessary to insure that it does not constitute a fraudulent conveyance under applicable law.

THE TERMS OF ARTICLE X OF THE INDENTURE ARE INCORPORATED HEREIN BY REFERENCE.

3. ***NEW YORK LAW TO GOVERN.*** THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE, INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

4. ***Counterparts.*** The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

5. ***Effect of Headings.*** The Section headings herein are for convenience only and shall not affect the construction hereof.

[Signature Page to Follow]

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IN WITNESS WHEREOF, the Guarantor and the Trustee have caused this Supplemental Indenture to be duly executed as of the day and year first above written.

GUARANTOR:

CE HUNTSVILLE HOLDINGS CORP.

By: /s/ STEWART A. FISHER
Name: Stewart A. Fisher
Title: Chief Financial Officer, Vice President, Secretary and Treasurer

COMPANY:

ACCELLENT CORP.

By: /s/ STEWART A. FISHER
Name: Stewart A. Fisher
Title: Chief Financial Officer, Vice President, Secretary and Treasurer

TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION

By: /s/ RICHARD PROKOSCH
Name: Richard Prokosch

Title: Vice President

**Exhibit 4.2**

## PLEDGE SUPPLEMENT

This **PLEDGE SUPPLEMENT**, dated as of September 9, 2005, is delivered by **CE HUNTSVILLE HOLDINGS CORP.,** a Delaware corporation ("**Grantor**"), pursuant to the Pledge and Security Agreement, dated as of June 30, 2004 (as it may be from time to time amended, restated, supplemented or otherwise modified, the "**Security Agreement**"), between **ACCELLENT CORP. (formerly known as MEDICAL DEVICE MANUFACTURING, INC.)**, the other Grantors named therein, and **CREDIT SUISSE, CAYMAN ISLANDS BRANCH (formerly known as CREDIT SUISSE FIRST BOSTON, acting through its Cayman Islands Branch)**, as Collateral Agent. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Security Agreement.

Grantor hereby confirms the grant to Collateral Agent set forth in the Security Agreement of, and does hereby grant to Collateral Agent, a security interest in all of Grantor' s right, title and interest in and to all Collateral to secure the Secured Obligations, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located. Grantor represents and warrants that the attached Supplements to Schedules accurately and completely set forth all additional information required pursuant to the Security Agreement and hereby agrees that such Supplements to Schedules shall constitute part of the Schedules to the Security Agreement.

**IN WITNESS WHEREOF**, Grantor has caused this Pledge Supplement to be duly executed and delivered by its duly authorized officer as of the date first written above.

**CE HUNTSVILLE HOLDINGS CORP.**

By: /s/ Stewart A. Fisher
Name: Stewart A. Fisher
Title: Chief Financial Officer, Vice President, Treasurer & Secretary

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**SUPPLEMENT TO SCHEDULE 1**
**TO PLEDGE AND SECURITY AGREEMENT**

Additional Information:

(A) Full Legal Name, Type of Organization, Jurisdiction of Organization, Chief Executive Office/Sole Place of Business and Organizational Identification Number of each Grantor:

| Full Legal Name | Type of Organization | Jurisdiction of Organization | Chief Executive Office/Sole Place of Business | Organization I.D.# |
|---|---|---|---|---|
| **CE HUNTSVILLE HOLDINGS CORP.** | CORPORATION | DELAWARE | PENNSYLVANIA | 050712843 |

(B) Other Names (including any Trade-Name or Fictitious Business Name) under which each Grantor has conducted business for the Five Years Preceding the Closing Date:

| Full Legal Name | Trade Name or Fictitious Business Name |
|---|---|
| NONE | |

(C) Changes in Name, Jurisdiction of Organization, Chief Executive Office or Sole Place of Business and Corporate Structure within the Five Years Preceding the Closing Date:

| Name of Grantor | Date of Change | Description of Change |
|---|---|---|
| NONE | | |

(D) Financing Statements:

| Name of Grantor | Filing Jurisdiction(s) |
|---|---|
| **CE HUNTSVILLE HOLDINGS CORP.** | Delaware |

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**SUPPLEMENT TO SCHEDULE 2**
**TO PLEDGE AND SECURITY AGREEMENT**

Additional Information:

| Name of Grantor | Location of Equipment and Inventory |
|---|---|
| **CE HUNTSVILLE HOLDINGS CORP.** | NOT APPLICABLE |

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**SUPPLEMENT TO SCHEDULE 3**
**TO PLEDGE AND SECURITY AGREEMENT**

Additional Information:

Pledged Stock:

| Grantor | Stock Issuer | Class | Certificated | Stock Cert. No. | Par Value | No. of Pledged Stock | % of Outstanding Stock of the Stock Issuer |
|---|---|---|---|---|---|---|---|
| Accellent Corp. | **CE HUNTSVILLE HOLDINGS CORP.** | Common | Y | C-1 | $ .001 | 100 shares | 100% |

Pledged Partnership Interests:
NONE

Pledged Partnership Interests Elected to be Treated as Securities:
NONE

Pledged LLC Interests:
NONE

Pledged LLC Interests Elected to be Treated as Securities:
NONE

Pledged Trust Interests:

NONE

Pledged Debt:
NONE

Securities Account:
NONE

Commodities Accounts:
NONE

Deposit Accounts:
NONE

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**SUPPLEMENT TO SCHEDULE 4**
**TO PLEDGE AND SECURITY AGREEMENT**

Additional Information:

| Name of Grantor | Description of Letters of Credit |
|---|---|
| **CE HUNTSVILLE HOLDINGS CORP.** | NONE |

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**SUPPLEMENT TO SCHEDULE 5**
**TO PLEDGE AND SECURITY AGREEMENT**

Additional Information:

(A) Copyrights: NONE

(B) Copyright Licenses: NONE

(C) Patents: NONE

(D) Patent Licenses: NONE

(E) Trademarks: NONE

(F) Trademark Licenses: NONE

(G) Trade Secret Licenses: NONE

(H) Intellectual Property Exception: NONE

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**SUPPLEMENT TO SCHEDULE 6**
**TO PLEDGE AND SECURITY AGREEMENT**

Additional Information:

| Name of Grantor | Commercial Tort Claims |
|---|---|
| **CE HUNTSVILLE HOLDINGS CORP.** | NONE |

**Exhibit 4.3**

## CONSENT TO AMENDMENT OF SHAREHOLDERS' AGREEMENT

WHEREAS, each of the undersigned (collectively, the "Majority Holders") is party to that certain Amended and Restated Shareholders' Agreement, dated June 30, 2004 (the "Shareholders' Agreement"), between the Holders and UTI Corporation, a Maryland corporation, as successor to MDMI Holdings, Inc., a Colorado corporation, f/k/a Medical Device Manufacturing, Inc. (the "Company");

WHEREAS, pursuant to Section 19 of the Shareholders' Agreement, a majority in interest of the Holders (as defined in the Shareholders' Agreement) have the right to amend the Shareholders' Agreement, provided that any amendment to Section 8(c)(i) of the Shareholders' Agreement shall require the mutual written consent of KRG and DLJMB (as defined in the Shareholders' Agreement);

WHEREAS, the Majority Holders represent a majority in interest of the Holders and include KRG and DLJMB;

WHEREAS, the Majority Holders desire to amend the Shareholders' Agreement to provide that the Board (as defined in the Shareholders' Agreement) shall consist of nine directors, five of whom shall be designated by KRG, three of whom shall be designated by DLJMB and the ninth director shall be the CEO of the Company.

NOW, THEREFORE, pursuant to Section 19 of the Shareholders' Agreement:

1. The Majority Holders hereby consent to the amendment of the Shareholders' Agreement by deleting Section 8(c)(i) and replacing it with the following:

"(i) The Board of Directors of the Company (the "Board") shall be comprised of nine directors (each a "Director"), subject to increase or decrease only by the mutual written consent of DLJMB and KRG. During the term of this Agreement and at any special or annual meeting of the Holders at which directors are to be elected to the Board, (A) DLJMB shall be entitled to designate three directors to sit on the Board (the "DLJMB Directors"); (B) KRG shall be entitled to designate five directors to sit on the Board (the "KRG Directors"); and (C) the Chief Executive Officer of the Company shall be designated as a director to sit on the Board, who initially shall be Ron Sparks. The rights granted with respect to the Holders pursuant to subclauses (A) and (B) of this Section 8(c)(i) shall continue with respect to such Holders until such time as the applicable Holders own less than 5% of the Company' s outstanding Common Stock on a fully diluted and fully converted basis (excluding unvested options)."

2. Except as modified in the manner described in this Consent, the Shareholders' Agreement shall remain in full force and effect.

3. That this consent may be signed in any number of counterparts (facsimile or original), each of which shall constitute an original, with the same effect as if the signatories thereto and hereto were upon the same instrument.

[SIGNATURES PAGE TO FOLLOW]

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IN WITNESS WHEREOF, the Holders have executed this Consent as of the day of September, 2004.

KRG/CMS L.P.

By: KRG CAPITAL FUND I, L.P., its General Partner

By: /s/ BRUCE L. ROGERS
Name: Bruce L. Rogers
Title: Managing Director

DLJ Merchant Banking Partners III, L.P.

By: DLJ Merchant Banking III, Inc., its Managing General Partner

/s/ GEORGE R. HORNIG

Name: George R. Hornig
Title: Managing Director

DLJ Merchant Banking III, Inc., as Advisory General Partner on behalf of DLJ Offshore Partners III-1, C.V. and as attorney-in-fact for DLJ Merchant Banking III, L.P., as Associate General Partner of DLJ Offshore Partners III-1, C.V.

/s/ GEORGE R. HORNIG

Name: George R. Hornig
Title: Managing Director

DLJ Merchant Banking III, Inc., as Advisory General Partner on behalf of DLJ Offshore Partners III-2, C.V. and as attorney-in-fact for DLJ Merchant Banking III, L.P., as Associate General Partner of DLJ Offshore Partners III-2, C.V.

/s/ GEORGE R. HORNIG

Name: George R. Hornig
Title: Managing Director



DLJ Merchant Banking III, Inc., as Advisory General Partner on behalf of DLJ Offshore Partners III, C.V.

/s/ GEORGE R. HORNIG

Name: George R. Hornig
Title: Managing Director

DLJ MB PartnersIII GmbH & Co. KG

By: DLJ Merchant Banking III, L.P., its Managing Limited Partner

By: DLJ Merchant Banking III, Inc., its General Partner

/s/ GEORGE R. HORNIG

Name: George R. Hornig
Title: Managing Director

Millennium Partners II, L.P.

By: DLJ Merchant Banking III, Inc., its Managing General Partner

/s/ GEORGE R. HORNIG

Name: George R. Hornig
Title: Managing Director

MBP III Plan Investors, L.P.

By: DLJ LBO Plans Management Corporation II, its General Partner

/s/ GEORGE R. HORNIG

Name: George R. Hornig
Title: Director

**Exhibit 4.4**

## CONSENT TO AMENDMENT

WHEREAS, the undersigned (the "Shareholders") are party to, or successor in interest to a party to, that certain Anti-Dilution Agreement (the "Anti-Dilution Agreement"), dated as of May 31, 2002 [sic], between the Shareholders and UTI Corporation (the "Company"), a Maryland corporation formerly known as MDMI Holdings, Inc.;

WHEREAS, the Shareholders holding a majority of the outstanding Preferred Shares and Convertible Shares (as defined in the Anti-Dilution Agreement) have the right, pursuant to Section 8 of the Anti-Dilution Agreement, to amend the Anti-Dilution Agreement;

WHEREAS, the Company desires to issue Class C Redeemable Preferred Stock with attached $0.01 warrants exercisable into Class AB Convertible Preferred Stock (collectively, including the issuance of the underlying Class AB Convertible Preferred Stock (the "Class AB Stock") upon exercise of such warrants, the "Class C Units");

WHEREAS, pursuant to the terms of the Anti-Dilution Agreement, the Shareholders may be entitled to an Adjustment Right (as such term is defined in the Anti-Dilution Agreement) in connection with the Company' s issuance of the Class C Units;

WHEREAS, the Shareholders desire to agree to set the amount of the Adjustment Right in connection with the Company' s issuance of the Class C Units;

WHEREAS, the Shareholders desire to relieve the Company of its obligation to prepare and file the certificate identified in Section 6(i) of the Anti-Dilution Agreement including, without limitation, the report of independent public accountants associated therewith (the "Adjustment Certificate");

WHEREAS, the Shareholders desire to clarify certain provisions of Section 4 of the Anti-Dilution Agreement; and

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Anti-Dilution Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged and pursuant to Section 8 of the Anti-Dilution Agreement:

1. In connection with the Company' s issuance of the Class C Units including, without limitation, the issuance of the Class AB Stock and the common stock issuable upon conversion of the Class AB Stock, (a) the aggregate Adjustment Right shall be 34,000 shares to be allocated pro rata among the Holders in accordance with their current holdings of Shares and (b) the Company is relieved of its obligation to prepare and file the Adjustment Certificate; provided, however, that the Company will provide notice of the Adjustment Rights to the Holders pursuant to Section 6(ii) of the Anti-Dilution Agreement.

2. Section 4(a)(2) of the Anti-Dilution Agreement is deleted in its entirety and replaced with the following:

"(2) Common Stock issued as consideration for the acquisition of any person, or"

3. Section 4(b)(1) of the Anti-Dilution Agreement is deleted in its entirety and replaced with the following:

"(1) convertible securities issued as consideration for the acquisition of any person; provided that such securities are substantially similar to the Class A-1 Convertible Preferred Stock of the Company (except as to liquidation preference),"

4. Except as expressly set forth herein, the terms, provisions and conditions of the Anti-Dilution Agreement shall remain in full force and effect and are in all respects hereby ratified and confirmed. Other than as specifically provided herein, this Amendment shall not operate as a waiver or

amendment of any right, power or privilege of any Shareholder under the Anti-Dilution Agreement or of any other term or condition of the Anti-Dilution Agreement. This Amendment shall not be construed in any manner to establish (or indicate) any course of dealing on any Shareholder' s part, including, without limitation, the providing of any notice or the requesting of any acknowledgement with respect to any future amendment, waiver, supplement or other modification to the Anti-Dilution Agreement or any arrangement contemplated thereby.

5. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatories thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the Shareholders have executed this Amendment as of the 27th day of February, 2003.

DLJ INVESTMENT PARTNERS II, LP.

By: /s/ MICHAEL ISIKOW
Name: Michael Isikow
Title: Attorney in Fact

DLJ INVESTMENT PARTNERS, L.P.

By: /s/ MICHAEL ISIKOW
Name: Michael Isikow
Title: Attorney in Fact

DLJIP II HOLDINGS, L.P.

By: /s/ MICHAEL ISIKOW
Name: Michael Isikow
Title: Attorney in Fact

SECURITY LIFE OF DENVER
INSURANCE COMPANY

By: _____
Name:
Title:

UTI CORPORATION

By: /s/ STEVEN D. NEUMANN
Name: Steven D. Neumann
Title: Vice President and Assistant Secretary

**Exhibit 10.1**

**UTI Corporation**
**2000 Stock Option and Incentive Plan**
**Non-Incentive Stock Option Agreement**

Option Number:

Grant Date:

Stock Option Exercise Price:

Last Date to Exercise: (1)

Number of Shares of Common Stock
Covered by Grant of Options:

Name of Optionee:

We are pleased to inform you that the Board of Directors (the "Board") has granted you an option to purchase UTI Corporation common stock, par value $.01 ("Stock"). Your grant has been made under the UTI Corporation 2000 Stock Option and Incentive Plan (the "Plan"), which, together with the terms contained in this Agreement, sets forth the terms and conditions of your grant and is incorporated herein by reference. A copy of the Plan is attached. Please review it carefully. If any provisions of the Agreement should appear to be inconsistent with the Plan, the Plan will control.

This stock option grant has been executed and
delivered as of
on behalf of UTI Corporation

_____
Name:
Title:

ACCEPTED AND AGREED TO:

_____

*This is not a stock certificate or a negotiable instrument. Non-Transferable.*

(1) Certain events can cause an earlier termination of the Option. See "Exercise" below.

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**1. Vesting:**
The Option is vested as to 100% of the shares of Stock purchasable pursuant to the Option upon execution of this Agreement.

**2. Exercise:**

You may exercise this Option, in whole or in part, to purchase a whole number of vested shares of not less than 100 shares, unless the number of shares purchased is the total number available for purchase under the Option, by following the exercise procedures as set forth in the Plan. All exercises must take place before the Last Date to Exercise, or such earlier date following your death, disability or your ceasing to provide services as described below under "Service Requirements." The number of shares you may purchase as of any date cannot exceed the total number of shares vested by that date, less any shares you have previously acquired by exercising this Option. Section 18 of the Plan provides a description of certain events involving a change in control of the Company that may cause your Option to terminate before the Last Date to Exercise.

**3. Service Requirements:**

If you cease to provide services to the Company or its affiliates, you or your estate will have twelve (12) months from the later of (i) the cessation of your provision of services to the Company and (ii) the date the Stock become publicly traded as described in **Section 5(f)**. The Board shall have the authority, in its sole discretion, to determine if you have ceased to provide services to the Company or its affiliates.

**4. Taxes and Withholding:**

This Option shall not constitute an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended. In the event that the Company or any of its affiliates determines that any federal, state, local or foreign tax or withholding payment is required relating to the exercise or sale of shares arising from this grant, the Company shall have the right to require such payments from you, or withhold such amounts from other payments due to you from the Company or an affiliate.

**5. Non-transferability:**

a. *General.* During your lifetime, only you (or, in the event of your legal incapacity or incompetency, your guardian or legal representative) may exercise the Option and no Option shall be assignable or transferable by you, other than by will or the laws of descent and distribution.

b. *Right of First Refusal.* You (or such other individual who is entitled to exercise an Option) may not sell, pledge, assign, gift, transfer, or otherwise dispose of any shares of Stock acquired pursuant to an Option to any person or entity without first offering such shares to the Company for purchase on the same terms and conditions as those offered the proposed transferee. The Company may assign its right of first refusal under this **Section 5(b)**, in whole or in part, to (1) any holder of stock or other securities of the Company (a "Stockholder"), (2) any affiliate or (3) any other person or entity that the Board determines has a sufficient relationship with or interest in the Company. The Company shall give reasonable written notice to you of any such assignment of its rights. The restrictions of this **Section 5(b)** re-apply to any person to whom Stock that was originally acquired pursuant to an Option is sold, pledged, assigned, bequeathed, gifted, transferred or otherwise disposed of, without regard to the number of such subsequent transferees or the manner in which they acquire the Stock, but the restrictions of this **Section 5(b)** do not apply to a transfer of Stock that occurs as a result of your death or the death of any subsequent transferee (but shall apply to the executor, the administrator or personal representative, the estate, and the legatees, beneficiaries and assigns thereof).

c. *Company's Repurchase Rights.* Upon the termination of your employment or other relationship with the Company or an affiliate, the Company shall have the right, for a period of up to twelve months following such termination, to repurchase any or all of the shares acquired by you or your transferee pursuant to this Option (including shares that were previously transferred pursuant to **Sections 5(b)** above), at a price equal to the fair market value, as defined in Section 5(e) hereof, of such shares on the date of termination. Upon the exercise of an Option following termination of your employment or other relationship with the Company or an affiliate, the Company shall have the right, for a period of up to twelve months following such exercise, to repurchase any or all such shares of Stock acquired by you pursuant to such exercise of such Option at a price that is equal to the fair market value, as defined in Section 5(e) hereof, of such shares (including shares that were previously transferred pursuant to **Section 5(b)** above) on the date of exercise. In the event that the Company determines that it cannot or will not exercise its rights to purchase Stock under this **Section 5(b)**, in whole or in part, the Company may assign its rights, in whole or in part, to (1) any Stockholder, (2) any affiliate or (3) any other person or entity

that the Board determines has a sufficient relationship with or interest in the Company. The Company shall give reasonable written notice to the individual of any assignment of its rights.

d. *Installment Payments.* In the case of any purchase of Stock under this **Section 5**, at the option of the Company or its permitted assignee, the Company or its permitted assignee may pay you, the transferee of the Option or other registered owner of the Stock the purchase price in three or fewer annual installments. Interest shall be credited on the installments at the applicable federal rate (as determined for purposes of Section 1274 of the Code) in effect on the date on which the purchase is made. The Company or its permitted assignee shall pay at least one-third of the total purchase price each year, plus interest on the unpaid balance, with the first payment being made on or before the 60th day after the purchase.

e. *Fair Market Value*. As used in this Section 5 and notwithstanding anything to the contrary in the Plan, the term "fair market value" shall mean the price per share established pursuant to an applicable appraisal, as hereinafter defined, prepared by a Board-appointed independent appraiser who satisfies the requirements that would be applicable under section 401(a)(28)(C) of the Code if this was an employee stock ownership plan. To be an applicable appraisal, the appraisal must have been completed as of a date no more than six (6) months before or after the date of the event giving rise to the necessity of determining the fair market value of shares of Stock hereunder, as the Board shall determine in good faith.

f. *Publicly Traded Stock.* If the Stock is listed on an established national or regional stock exchange or is admitted to quotation on the National Association of Securities Dealers Automated Quotation System, or is publicly traded in an established securities market, the foregoing transfer restrictions of **Sections 5(b)** and **5(c)** shall terminate as of the first date that the Stock is so listed, quoted or publicly traded.

**6. Market Standoff Agreement:**

In connection with the initial public offering of the Company' s securities and upon request of the Company or the underwriters managing such underwritten offering of the Company' s securities, you (or your transferee) agree not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares of Stock acquired pursuant to this Option (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the Company' s initial public offering.

* * * * *

**EXHIBIT 10.2**

**ASSET PURCHASE AGREEMENT**
**by and among**

**Accellent Corp.,**
**as Parent,**

**CE Huntsville Holdings Corp.,**
**as Purchaser,**

**Campbell Engineering, Inc.,**
**as the Seller,**

**and**

**each of the Sharehoolders of the Seller**
**set forth on the signature page hereto,**
**constituting all of the Shareholders of the Seller**

**Dated as of September 12, 2005**

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**ASSET PURCHASE AGREEMENT**

This ASSET PURCHASE AGREEMENT, dated as of September 12, 2005 (this "Agreement"), is made and entered into by and among Accellent Corp., a Colorado corporation ("Parent"), CE Huntsville Holdings Corp., a Delaware corporation and wholly owned subsidiary of Parent ("Purchaser"), Campbell Engineering, Inc., an Alabama corporation (the "Seller"), and each of the shareholders of the Seller signatory hereto, constituting all of the shareholders of the Seller (each hereinafter individually referred to as a "Shareholder" and collectively referred to as the "Shareholders").

**WITNESSETH**

WHEREAS, the Seller is engaged in the business of providing precision machining, assembly and engineering design for the aerospace and medical industries (the "Business");

WHEREAS, the Seller intends to sell, transfer and assign to Purchaser, and Purchaser intends to purchase, acquire and assume from the Seller, substantially all of the assets and certain liabilities of the Seller relating to the operation of the Business all upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Shareholders intend to sell, transfer and assign to Purchaser, and Purchaser intends to purchase, acquire and assume from the Shareholders, the Shareholder Real Estate (as hereinafter defined) upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Shareholders, who collectively own all of the outstanding capital stock of the Seller, have determined it to be in the Shareholders' best interests that (A) the Shareholders sell, transfer and assign to Purchaser, and that Purchaser purchases, acquires and assumes from the Shareholders, the Shareholder Real Estate and (B) the Seller sell, transfer and assign to Purchaser, and that Purchaser purchases, acquires and assumes from the Seller, such assets and liabilities of the Seller as set forth in this Agreement; and

WHEREAS, Parent has determined it to be in its and Purchaser' s best interests for Parent to be the sole party hereunder obligated to pay, and to pay, to Seller any Earnout Amounts (as hereinafter defined) required to be paid pursuant to this Agreement.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

## ARTICLE I
## DEFINITIONS AND TERMS

Section 1.1 *Defined Terms.* Each capitalized term used and not otherwise defined herein shall have the respective meaning ascribed to such term in *Schedule 1.1* attached hereto or in the Section referenced in such *Schedule 1.1*.

Section 1.2 *Terms Generally.* The definitions in *Schedule 1.1* shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation" even if not followed actually by such phrase unless the context expressly provides otherwise. Unless otherwise expressly defined, terms defined in the Agreement shall have the same meanings when used in any Exhibit or Schedule and terms defined in any Exhibit or Schedule shall have the same meanings when used in the Agreement or in any other Exhibit or Schedule. Unless the context requires otherwise, references to Articles and Sections refer to Articles and Sections of this Agreement, and references to Schedules or Exhibits refer to the Schedules and Exhibits attached to this Agreement, each of which is made a part hereof for all purposes. The words "herein," "hereof," "hereto" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision of this

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Agreement. The phrase "made available" in this Agreement shall mean that the information referred to has been made available by the party in question. The phrases "the date of this Agreement," "the date hereof" and terms of similar import, unless the context otherwise requires, shall be deemed to refer to the date set forth in the introductory paragraph of this Agreement. References to "dollars" or "$" in this Agreement shall be deemed to refer to the applicable denomination of federal funds of the United States of America.

## ARTICLE II
## ACQUISITION AND DISPOSITION OF ASSETS

Section 2.1 *Purchase and Sale of Assets.*

(a) At the Closing, upon the terms and subject to the conditions set forth in this Agreement, the Shareholders shall transfer, assign, convey and deliver to Purchaser, and Purchaser shall receive from the Shareholders, all right, title and interest in and to that certain real property listed in *Schedule 2.1(a)* and the improvements thereon and the appurtenances thereto (the "Shareholder Real Estate") free and clear of all Liens, except as otherwise contemplated herein and except for easements and non-monetary Liens which do not adversely impact the use of the Shareholder Real Estate by the Business as currently conducted. At the Closing, upon the terms and subject to the conditions set forth in this Agreement, the Seller shall transfer, assign, convey and deliver to Purchaser, and Purchaser shall receive from the Seller, all right, title and interest in and to all of the Assets free and clear of all Liens, except as otherwise contemplated herein. It is the intent of the parties hereto that the "Assets" shall mean all right, title and interest in and to substantially all of the assets useful to, used in or held for use in the Business as of the Closing Date wherever such assets are located and whether real, personal or mixed, tangible or intangible, and whether or not any such assets have any value for accounting purposes or are carried or reflected on or specifically referred to in the Seller' s books and records or financial statements, which assets shall exclude the Excluded Assets but shall include the following:

(i) all Intellectual Property used in or useful to the conduct of the Business including those items listed but not exhaustively described in *Schedule 2.1(a)(i)*;

(ii) all contracts, agreements, contract rights, license agreements, purchase and sales orders, quotations and other executory commitments of the Seller entered into in connection with the conduct of the Business listed in *Schedule 2.1(a)(ii)* (the "Contracts");

(iii) all accounts receivable and all notes or other securities and accounts (excluding the Seller' s bank accounts) attributable to the Seller for operations of the Business on or after the Closing Date;

(iv) all computer equipment and related software and software licenses, office equipment and other personal property listed in *Schedule 2.1(a)(iv)*;

(v) all books of account and customer and supplier lists including addresses, drawings, files, papers and records of the Seller;

(vi) all deposits, advance payments, prepaid items and expenses, deferred charges, rights of offset and credits and claims for refund relating to the Seller;

(vii) all claims, rights and causes in action against third parties and all rights to insurance proceeds relating to any damage, destruction or impairment of the tangible Assets prior to the Closing Date;

(viii) all licenses, permits, consents and certificates of any regulatory, administrative or other governmental agency or body issued to or held by the Seller and necessary or incidental to the conduct of the Business (to the extent the same are transferable);



(ix) all of the Seller' s right, title and interest in, and benefits accruing to the Seller under, all real property owned by the Seller and all leaseholds and subleaseholds relating to real property (including all improvements thereon and appurtenances thereto);

(x) all fixed assets, manufacturing equipment, inventory and leasehold improvements;

(xi) all goodwill associated with the Assets, in particular, and the Seller, in general; and

(xii) all other miscellaneous items set forth in *Schedule 2.1(a)(xii)*.

(b) The sale, conveyance, assignment, transfer and delivery of the Shareholder Real Estate and the Assets will be effected by delivery by the Seller and Shareholders to Purchaser of (i) a Statutory Warranty Deed or the Bill of Sale and Assignment Agreement, as applicable, (ii) executed copies of the filings, consents, approvals, notices or waivers, and copies of the instruments transferring, registering or issuing the consents, approvals, permits, licenses, permissions, registrations or other authorizations referred to herein, and (iii) such other instruments of conveyance, transfer and assignment (collectively, the "Instruments of Transfer") as shall be necessary to vest in Purchaser full right, title and interest in and to (A) the Assets, free and clear of all Claims and Liens, whether absolute, accrued, contingent or otherwise and (B) the Shareholder Real Estate, free and clear of all Claims and Liens, whether absolute, accrued, contingent or otherwise, other than as contemplated herein and except for easements and non-monetary Liens which do not adversely impact the use of the Shareholder Real Estate by the Business as currently conducted.

Section 2.2 *Excluded Assets.* The Assets shall not include (i) any original minute books, stockholder books, tax books and other similar records of the Seller (a true and complete copy of each of which has been provided to Purchaser) (ii) all cash on hand, cash equivalents and bank accounts of the Seller (which accounts contain sufficient funds to cover outstanding checks drawn on the Seller' s bank accounts as of the Closing Date), (iii) the Seller' s rights in any insurance policies, other than rights to insurance proceeds relating to any damage, destruction or impairment of the tangible Assets prior to the Closing Date, and (iv) any assets of the Seller set forth in *Schedule 2.2* (collectively, the "Excluded Assets"); all of the Seller' s right, title and interest in and to which, as the same exist as of the Closing Date, shall be retained by the Seller.

Section 2.3 *Assumption and Exclusion of Liabilities.*

(a) Upon the terms and subject to the conditions of this Agreement, at the Closing, Purchaser will assume and agree to pay, perform and discharge as and when due only the following liabilities and obligations of the Seller (collectively, the "Assumed Liabilities"): (i) those current liabilities and obligations (including those relating to accounts payable and accrued but unpaid employee payroll) of the Seller listed in *Schedule 2.3(a)(i)*; (ii) the future obligations of the Seller as of the Closing Date under the contracts and agreements described in *Schedule 2.1(a)(ii)* (except to the extent otherwise provided in such Schedule), together with such other contractual obligations that relate solely to the Business that have been entered into in the ordinary course of business of the Seller consistent with past practices and have been disclosed to Purchaser prior to the Closing, including warranty obligations solely to retool or replace defective products sold in the ordinary course of business in an amount not to exceed TWENTY-FIVE THOUSAND DOLLARS $25,000 in any trailing twelve (12) month period of the Business (it being acknowledged that Purchaser assumes no other express or implied warranty obligations of the Seller whatsoever,

including any warranty obligations with respect to products liability or monetary damages as a result of the manufacture of defective products); and (iii) all accrued vacation and sick leave of the Seller' s employees who will be employed by Purchaser following the Closing Date as set forth in *Schedule 2.3(a)(iii)*. The assumption of the Assumed Liabilities by Purchaser will be effected by delivery by Purchaser to the Seller of the duly executed Instruments of Transfer.



(b) Except as explicitly set for above in Section 2.3(a), the Seller shall retain, and Purchaser shall not assume, and nothing contained in this Agreement shall be construed as an assumption by Purchaser of, any other liabilities, obligations or undertakings of the Seller (or any Subsidiary, division, associate or Affiliate of the Seller, or of any Person) of any nature whatsoever, whether accrued, absolute, fixed or contingent, known or unknown, due or to become due, unliquidated or otherwise, including any liabilities relating to (i) all Indebtedness of the Seller, (ii) Taxes with respect to or attributable to the Assets for all taxable periods through the Closing Date, Taxes with respect to or attributable to the properties, Business or operations of the Seller or any Subsidiary, division, associate or Affiliate of the Seller and Taxes of the Seller with respect to or attributable to the transactions contemplated hereby or otherwise, (iii) any Liabilities associated with the Excluded Assets and (iv) any Liabilities associated with the Assets that arise or relate to events that occurred prior to the Closing Date. The Seller shall remain responsible for all of the liabilities, obligations and undertakings of the Seller not expressly assumed by Purchaser in Section 2.3(a). Purchaser is not assuming any liabilities, obligations or undertakings whatsoever of the Shareholders.

Section 2.4 *Nondelivered Assets.* Notwithstanding anything else contained in this Agreement to the contrary, in the event that an Asset is not delivered by the Seller to Purchaser at Closing (a "Nondelivered Asset"), the Seller shall deliver such Nondelivered Asset to Purchaser as soon as the Seller has actual knowledge of the existence of such Nondelivered Asset.

Section 2.5 *Non-Assignment if Breach.* Notwithstanding anything contained in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any of the Assets if the attempted assignment, as a result of the absence of the consent or authorization of a third party, would constitute a breach or default under any lease, agreement, Liens or commitment or would in any way adversely affect the rights, or increase the obligations, of any party or any Subsidiary with respect thereto or would otherwise affect the ability of Purchaser to receive the benefit of the Assets. If any such consent or authorization is not obtained, or if an attempted assignment or assumption would be ineffective or would adversely affect the rights or benefits or increase the obligations of Purchaser with respect to any such Assets, then the parties shall enter into such reasonable cooperative arrangements (including sublease, agency, partial closing, management, indemnity or payment arrangements and enforcement at the cost and for the benefit of Purchaser of any and all rights of the Seller against an involved third party) to provide the parties with such benefits and obligations as most closely approximate those contemplated by this Agreement.

## ARTICLE III
## PAYMENT AND DELIVERY

Section 3.1 *Shareholder Real Estate Purchase Price; Purchase Price.* The total purchase price to be paid to the Shareholders in respect of the Shareholder Real Estate (the "Shareholder Real Estate Purchase Price") under this Agreement shall be an amount equal to FIVE HUNDRED TWENTY-EIGHT THOUSAND DOLLARS ($528,000), which amount shall be payable in the manner provided in Section 3.3 below. The total purchase price to be paid to the Seller (the "Purchase Price") under this Agreement shall be an amount up to TWENTY-NINE MILLION SIX HUNDRED THOUSAND DOLLARS ($29,600,000), which amount shall be payable in the manner provided in Section 3.3 and Section 3.4 below.

Section 3.2 *Adjustments to Purchase Price.*

(a) The Purchase Price will be subject to the following adjustments on the Closing Date, based on the difference between the Net Working Capital Balance of the Seller as of the close of business on the day immediately prior to the Closing Date as set forth in a schedule delivered by the Seller to Purchaser prior to the Closing Date (the "Closing Net Working Capital Balance") and TWO



MILLION FOUR HUNDRED TWENTY-TWO THOUSAND FIVE HUNDRED TWENTY-SEVEN DOLLARS ($2,422,527) (the "Baseline Net Working Capital Balance"):

(i) if the Baseline Net Working Capital Balance exceeds the Closing Net Working Capital Balance, the Purchase Price will be decreased by the amount by which the Baseline Net Working Capital Balance exceeds the Closing Net Working Capital Balance; and

(ii) if the Baseline Net Working Capital Balance is equal to or less than the Closing Net Working Capital Balance, the Purchase Price will not be adjusted pursuant to this Section 3.2(a).

For purposes of this Agreement, the "Net Working Capital Balance" of the Seller shall mean all current assets of the Seller (including all amounts owed to the Seller by any of the Shareholders) less all current liabilities (excluding the current portion of any long-term Indebtedness and any Indebtedness comprised of capital leases), calculated with respect to both the Baseline Net Working Capital Balance and the Closing Net Working Capital Balance, in accordance with GAAP applied on a consistent basis throughout the periods covered thereby.

(b) Following the Closing, the adjustments to the Purchase Price pursuant to Section 3.2(a) will be subject to review by Purchaser in accordance with the following procedure:

(i) Purchaser shall have until ninety (90) days after the Closing Date (the "Verification Period") to verify the Seller' s determinations of the Closing Net Working Capital Balance. Any adjustments to such determinations shall be made by written notice to the Seller within the Verification Period (an "Adjustment Notice") setting forth (A) Purchaser' s objections to the Seller' s determination of the Closing Net Working Capital Balance, (B) Purchaser' s determination of the Closing Net Working Capital Balance, and (C) the proposed adjustment to decrease the Purchase Price (the "Proposed Purchase Price Adjustment"). If Purchaser does not deliver an Adjustment Notice to the Seller within the Verification Period, the Seller' s determination of the Closing Net Working Capital Balance shall be final and binding upon the parties hereto.

(ii) To the extent that the Seller has any objection to the Proposed Purchase Price Adjustment, such objection shall be made by written notice to Purchaser (the "Objection Notice") within fifteen (15) days after delivery of the Adjustment Notice (the "Objection Period"). If the Seller does not deliver an Objection Notice to the Proposed Purchase Price Adjustment within the Objection Period, the Purchase Price shall be adjusted by an amount equal to such Proposed Purchase Price Adjustment and the Seller shall pay Purchaser an amount equal to the Proposed Purchase Price Adjustment or Purchaser may offset the Proposed Purchase Price Adjustment against the Escrow Amount and the Earnout Amounts as set forth below.

(iii) If the Seller delivers an Objection Notice in response to any Adjustment Notice delivered by Purchaser, and Purchaser and the Seller are unable to agree upon the amount of any Proposed Purchase Price Adjustment within fifteen (15) days after delivery of the Objection Notice, then a nationally recognized accounting firm to be mutually agreed upon based on good faith negotiations (the "Auditor"), shall be requested to conduct a review and determine the amount of the Closing Net Working Capital Balance. The Auditor shall be instructed in performing such review that Purchaser and the Seller shall each be provided with copies of any and all correspondence and drafts distributed by the Auditor to any party. Prior to issuing its final determination, Purchaser and the Seller shall each have the opportunity to provide the Auditor with any additional information that such party deems relevant, provided that the Auditor shall not be required to use any such information in connection with its review and determination of the Closing Net Working Capital Balance. Upon completion of its review and determination, the Auditor shall promptly deliver copies of its report to Purchaser and the Seller, setting forth the Auditor' s determination of the Closing Net Working Capital Balance (the "Auditor' s Report"). The Auditor' s Report will be conclusive and binding upon both Purchaser and the Seller, and Purchaser shall be entitled to a



Purchase Price Adjustment by an amount equal to the excess, if any, of the Closing Net Working Capital Balance as determined by the Seller on or before the Closing Date over the Closing Net Working Capital Balance determined by the Auditor and reported in the Auditor' s Report and, unless such excess is paid in cash by the Seller as contemplated pursuant to Section 3.2(b)(ii), to offset such excess against the Escrow Amount and the Earnout Amount as described below. Fifty percent (50%) of the costs and expenses of the Auditor and the Auditor' s Report contemplated by this Section 3.2(b)(iii) shall be borne by Purchaser and the remainder of such costs shall be borne by the Seller and the Shareholders.

Section 3.3 *Payment of Purchase Price.*

(a) FIVE HUNDRED TWENTY-EIGHT THOUSAND DOLLARS ($528,000) shall be paid in cash on the Closing Date by Purchaser for the benefit of the Shareholders in respect of the Shareholder Real Estate by inter-bank wire transfers of immediately available federal funds payable in the amounts and to the Persons set forth in *Schedule 3.3(a)*.

(b) SEVENTEEN MILLION SIX HUNDRED THOUSAND DOLLARS ($17,600,000) of the Purchase Price, less any adjustments to the Purchase Price made pursuant to Section 3.2, less the Escrow Amount, shall be paid in cash on the Closing Date by Purchaser (the "Closing Cash Payment") for the benefit of the Seller by inter-bank wire transfers of immediately available federal funds payable in the amounts and to the Persons set forth in *Schedule 3.3(b)*.

(c) TWELVE MILLION DOLLARS ($12,000,000) of the Purchase Price shall be paid after the Closing, if at all, by Parent for the benefit of the Seller pursuant to the terms of the earnout arrangement set forth in Section 3.4 hereof.

(d) FOUR HUNDRED THOUSAND DOLLARS ($400,000) (the "Escrow Amount") of the Purchase Price shall not be paid to the Seller at Closing and shall instead be deposited by Purchaser into an account to be managed and paid out by the Escrow Agent in accordance with the terms of an Escrow Agreement, substantially in the form attached hereto as Exhibit A (the "Escrow Agreement"), to be entered into among Parent, Purchaser, the Seller and the Escrow Agent at the Closing.

(e) Notwithstanding any other provision in this Agreement to the contrary, Seller hereby acknowledges and agrees that the payment of any Earnout Amounts hereunder shall be the sole and exclusive obligation of Parent.

(f) Notwithstanding any other provision in this Agreement to the contrary, in the event that either (i) the Purchase Price is adjusted pursuant to Section 3.2(b) or (ii) Parent or Purchaser becomes entitled to indemnification under Article VII, Purchaser may offset all or any portion of the Escrow Amount, on a dollar-for-dollar basis, against the full amount of any such adjustment or right to indemnification.

Section 3.4 *Earnout Payments.* The Seller shall be entitled to receive the 2005 Earnout Amount and the 2006 Earnout Amount, or such applicable portions thereof, if any, as deferred payment of the Purchase Price pursuant to the terms set forth below:

(a) If, and only if, the EBITDA of the Business for the fiscal year ending December 31, 2005 (the "2005 EBITDA") is greater than THREE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS ($3,350,000) (the "2005 Baseline EBITDA"), then Parent shall pay to the Seller an amount (the "2005 Earnout Amount") in cash equal to the product of (i) TEN MILLION DOLLARS ($10,000,000) multiplied by (ii) a fraction, the numerator of which shall be the difference between the 2005 EBITDA and the 2005 Baseline EBITDA, and the denominator of which shall be the difference between the 2005 Target EBITDA and the 2005 Baseline EBITDA, subject to a maximum possible 2005 Earnout Amount in all circumstances of TEN MILLION DOLLARS ($10,000,000).



(b) Parent shall pay to the Seller an amount (the "2006 Earnout Amount") in cash equal to the lesser of (i) the applicable 2006 Earnout Cap or (ii) five times the EBITDA of the Business for the fiscal year ending December 31, 2006 (the "2006 EBITDA"), less EIGHTEEN MILLION DOLLARS ($18,000,000), less the 2005 Earnout Amount. For purposes of this Section 3.4(b), the "2006 Earnout Cap" shall equal (i) FOUR MILLION DOLLARS ($4,000,000) if the 2005 EBITDA is greater than FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS ($4,400,000) or (ii) THREE MILLION DOLLARS ($3,000,000) if the 2005 EBITDA is less than or equal to FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS ($4,400,000).

(c) Notwithstanding anything to the contrary contained herein, in the event that either (i) the Purchase Price is adjusted pursuant to Section 3.2(b) or (ii) Parent or Purchaser becomes entitled to indemnification under Article VII, Parent may, upon five (5) days prior written notice to the Seller, offset all or any portion of the Earnout Amounts, on a dollar-for-dollar basis, against the full amount of any such right to indemnification.

(d) On or before April 15, 2006, Parent shall provide to the Seller unaudited financial statements of the Business for the fiscal year ended December 31, 2005, together with a detailed written statement of its calculation of the 2005 EBITDA and the 2005 Earnout Amount, if any, related thereto (the "2006 Statement"), and on or before April 15, 2007, Parent shall provide to the Seller unaudited financial statements of the Business for the fiscal year ended December 31, 2006, together with a detailed written statement of its calculation of the 2006 EBITDA and the 2006 Earnout Amount, if any, related thereto (the "2007 Statement"). In each instance, Parent shall provide the Seller access to Purchaser' s books and records (including financial statements) during normal business hours for the sole purpose of verifying the Earnout Amounts. The 2005 Earnout Amount and the 2006 Earnout Amount, to the extent not offset in accordance with Section 3.4(c), shall be payable within thirty (30) days after (i) receipt by Parent of written notice from the Seller that it has accepted, in the case of the 2005 Earnout Amount, the 2006 Statement and, in the case of the 2006 Earnout Amount, the 2007 Statement, or (ii) becoming conclusive and binding pursuant to Section 3.4(e) below. Each such Earnout Amount, to the extent not offset in accordance with Section 3.4(c), shall be made

by wire transfer of immediately available funds to an account designated by the Seller. In addition to the 2006 Statement and the 2007 Statement, for each completed fiscal quarter after the Closing Date other than the fourth fiscal quarter of any fiscal year, Parent shall provide to the Seller, on a quarterly basis, detailed written statements of its calculation of the EBITDA of the Business for each such quarter within fifty-five (55) days after the end of each such fiscal quarter through the period ended September 30, 2006. Purchaser covenants and agrees that it shall use commercially reasonable efforts to market and sell products that make up the Business in a commercially prudent manner during the period between the Closing Date and January 1, 2007.

(e) The Seller shall notify Parent in writing (the "Parent' s Notice") within thirty (30) days after receipt of the 2006 Statement or the 2007 Statement, as the case may be (a "Statement"), with respect to its acceptance or dispute of such Statement. In the event that the Seller disputes such a Statement, the Seller shall set forth in such notice the facts of the dispute and, to the best of its ability, its calculation of the Earnout Amount in question. Parent and the Seller shall meet and use commercially reasonable efforts to resolve the items or amounts in dispute. If the parties are unable to reach an agreement within thirty (30) days after Parent' s receipt of the Seller' s disagreement notification, then a nationally recognized accounting firm to be mutually agreed upon based on good faith negotiations (the "Accounting Referee") shall be requested to conduct a review of the disputed items or amounts and compute the Earnout Amount in question. In making its calculation, the Accounting Referee shall consider only the items or amounts in dispute (and to the extent required, any other amounts necessary to derive the disputed items or amounts). Such determination shall be made within thirty (30) days after the date on which the Accounting Referee begins its review and shall be binding on the parties.



The fees, costs and expenses of the Accounting Referee shall be shared equally between the Seller and Parent.

(f) In connection with this Section 3.4, upon reasonable notice and during Parent' s and Purchaser' s normal business hours, the Seller and its representatives (including accountants) shall have the right to inspect the books and records relating to the Business as conducted by Purchaser after the Closing Date. In the event of a dispute under Section 3.4(e) above, Parent shall ensure access of the Accounting Referee to Parent' s auditor.

(g) In calculating the 2005 EBITDA, the EBITDA of the Seller for the period beginning on January 1, 2005 and ending on the Closing Date as determined by reference to the financial statements of the Seller described in Section 4.6 hereof, shall be added to, and included within, the 2005 EBITDA. In calculating the 2005 EBITDA and the 2006 EBITDA, such calculations (i) shall not include (A) any expenses allocated or incurred by the Seller or Purchaser as a result of the transactions contemplated by this Agreement, (B) any management fees, overhead fees or similar fees or allocations paid by, or allocated to, the Business from any other business or Affiliate of Purchaser, (C) any specified non-recurring shareholder expenses and costs set forth on *Schedule 3.4(g)(i)(C)*, (D) any "extraordinary items" of gain or loss as that term is defined by GAAP, (E) for the period that the replacement employee of each Shareholder and such Shareholder are simultaneously employed by Purchaser, such Shareholder' s employment compensation and benefits, or (F) excess benefits paid to the Shareholders (including life insurance premium contributions and payments associated with the provision of automobiles to the Shareholders) and charitable contributions made by the Seller, in each instance prior to the Closing Date, in an aggregate amount up to FIFTY THOUSAND DOLLARS ($50,000), and (ii) shall include a deemed monthly rental expense of EIGHT THOUSAND DOLLARS ($8,000) associated with the Shareholder Real Estate.

(h) Notwithstanding anything to the contrary contained in this Agreement, the maximum aggregate amount that may be paid to the Seller under this Agreement in all circumstances shall be TWENTY-NINE MILLION SIX HUNDRED THOUSAND DOLLARS ($29,600,000).

Section 3.5 *Allocation of Consideration.* The aggregate consideration paid by Purchaser to the Seller pursuant to this Article III shall be allocated among the Assets according to the determination of an independent appraisal to be conducted by an appraiser mutually agreed upon by Purchaser and the Seller. The allocation of the Purchase Price as determined by such appraiser shall be binding upon the parties and each party hereto shall file all Tax Returns (including Form 8594) in a manner consistent with such allocation. Notwithstanding anything to the contrary contained herein, the aggregate amount of consideration to be allocated to the Non-Competition Agreement for the Seller and the Shareholders shall be TWO HUNDRED THOUSAND DOLLARS ($200,000). The cost of such independent appraiser shall be borne by Purchaser.

Section 3.6 *Closing.* The sale, conveyance, assignment, transfer and delivery of the Assets by the Seller and payment of the Closing Cash Payment by Purchaser (hereinafter called the "Closing") shall take place at the Huntsville, Alabama offices of Bradley Arant Rose & White LLP on the date of the execution of this Agreement, or on such other date or at such other time and place (including remotely or by facsimile) as may be mutually agreed upon by the parties hereto. The date on which the Closing occurs is referred to herein as the "Closing Date." Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the parties hereto agree that the Closing shall be deemed to take effect at 12:01 A.M. (Eastern Standard Time) on the Closing Date.

Section 3.7 *Deliveries by the Seller.* At the Closing, the Seller shall deliver to Purchaser, and in the case of subsections (g) and (h) below, Parent:

(a) A duly executed Bill of Sale and Assignment Agreement;



(b) A duly executed Statutory Warranty Deed for the owned Real Property of the Seller and Title Policies or unconditional commitments therefore paid for by the Seller;

(c) Such other Instruments of Transfer as shall be necessary to vest in Purchaser all of the Seller' s right, title and interest in and to the Assets, free and clear of all Liens;

(d) The resolutions duly adopted by the Seller' s board of directors and the Shareholders authorizing (i) the execution and delivery of, and performance by the Seller of its obligations under, this Agreement and the other agreements contemplated hereby and (ii) the assignment of the sponsorship of the Seller' s 401(k) plan to Purchaser;

(e) A duly executed certificate of the secretary or an assistant secretary of the Seller, dated the Closing Date, in form and substance reasonably satisfactory to Purchaser, as to (i) the currency and authenticity of the articles of incorporation and the bylaws of the Seller, (ii) the currency and authenticity of the resolutions duly adopted by the Seller' s board of directors and Shareholders authorizing (A) the execution and delivery of, and performance by the Seller of its obligations under, this Agreement and the other agreements contemplated hereby and (B) the assignment of the sponsorship of the Seller' s 401(k) plan to Purchaser and (iii) the incumbency and signatures of the officers of the Seller executing this Agreement or any other agreement contemplated hereby.

(e) Copies of all consents, approvals, authorizations, agreements and other documentation required to be obtained by the Seller to consummate the transactions contemplated by this Agreement without breaching any of the Seller' s representations or warranties;

(f) Payoff letters stating the payoff amounts for the Seller' s Indebtedness relating to the Assets;

(g) A duly executed Escrow Agreement;

(h) A duly executed Non-Competition Agreement (the "Non-Competition Agreement") substantially in the form attached hereto as *Exhibit B*; and

(i) Such other documents, instruments and writings reasonably requested by Parent or Purchaser at or prior to the Closing.

Purchaser will thereupon take actual possession of the Assets.

Section 3.8 *Deliveries by the Shareholders.* At the Closing, the Shareholders shall deliver to Purchaser, and in the case of subsections (b) and (c) below, Parent:

(a) A duly executed Statutory Warranty Deed for the Shareholder Real Estate and Title Policies or unconditional commitments therefore paid for by the Shareholders;

(b) A duly executed Escrow Agreement;

(c) A duly executed Non-Competition Agreement;

(d) A duly executed Transition Services and Consulting Agreement substantially in the form attached hereto as *Exhibit C* (the "Transition Services and Consulting Agreement") executed by Dr. Richard Campbell;

(e) A duly executed Transition Services Agreement substantially in the form attached hereto as *Exhibit D* (the "Transition Services Agreement") executed by Mrs. [Sue] Campbell; and

(f) Such other documents, instruments and writings reasonably requested by Parent or Purchaser at or prior to the Closing.

Section 3.9 *Deliveries by Parent.* At the Closing, Parent shall deliver to the Seller, and in the case of subsections (c) and (d) below, the Shareholders:



(a) The resolutions duly adopted by Parent' s board of directors authorizing the execution and delivery of, and performance by Parent of its obligations under, this Agreement and the other agreements contemplated hereby;

(b) A duly executed certificate of the secretary or an assistant secretary of Parent, dated the Closing Date, in form and substance reasonably satisfactory to the Seller, as to (i) the currency and authenticity of the articles of incorporation and the bylaws of Parent, (ii) the currency and authenticity of the resolutions duly adopted by Parent' s board of directors authorizing the execution and delivery of, and performance by Parent of its obligations under, this Agreement and the other agreements contemplated hereby and (iii) the incumbency and signatures of the officers of Parent executing this Agreement or any other agreement contemplated hereby;

(c) A duly executed Escrow Agreement;

(d) A duly executed Non-Competition Agreement; and

(e) Such other documents, instruments and writings reasonably requested by the Seller at or prior to the Closing.

Section 3.10 *Deliveries by Purchaser.* At the Closing, Purchaser shall deliver to the Seller all of the following deliverables other than those contemplated by subsections (b), (h) and (i) below, and to the Shareholders the deliverables contemplated by subsections (b), (h), (i) (f) and (g) below:

(a) The Closing Cash Payment by inter-bank wire transfer of immediately available federal funds of the United States of America, which amount shall be paid and delivered to or for the benefit of the Seller in the amounts and to the Persons set forth on *Schedule 3.3(b)*;

(b) The Shareholder Real Estate Purchase Price by inter-bank wire transfer of immediately available federal funds of the United States of America, which amount shall be paid and delivered to or for the benefit of the Shareholders in the amounts and to the Persons set forth on *Schedule 3.3(a)*;

(c) A duly executed Bill of Sale and Assignment Agreement;

(d) The resolutions duly adopted by Purchaser' s board of directors authorizing the execution and delivery of, and performance by Purchaser of its obligations under, this Agreement and the other agreements contemplated hereby;

(e) A duly executed certificate of the secretary or an assistant secretary of Purchaser, dated the Closing Date, in form and substance reasonably satisfactory to the Seller, as to (i) the currency and authenticity of the articles of incorporation and the bylaws of Purchaser, (ii) the currency and authenticity of the resolutions duly adopted by Purchaser' s board of directors authorizing the execution and delivery of, and performance by Purchaser of its obligations under, this Agreement and the other agreements contemplated hereby and (iii) the incumbency and signatures of the officers of Purchaser executing this Agreement or any other agreement contemplated hereby;

(f) A duly executed Escrow Agreement;

(g) A duly executed Non-Competition Agreement;

(h) A duly executed Transition Services and Consulting Agreement;

(i) A duly executed Transition Services Agreement; and

(j) Such other documents, instruments and writings reasonably requested by the Seller at or prior to the Closing.

## ARTICLE IV
## REPRESENTATIONS AND WARRANTIES OF THE SELLER AND THE SHAREHOLDERS

Seller and each of the Shareholders hereby jointly and severally represent and warrant to Parent and Purchaser that the statements contained in this Article IV are accurate and complete as of the date hereof, except as set forth in the disclosure schedules accompanying this Agreement. The disclosure schedules are arranged in numbered and lettered paragraphs corresponding to the numbered and lettered Sections contained in this Article IV.

Section 4.1 *Authorization and Validity.* The Seller has full corporate power and authority to enter into this Agreement and the other documents and instruments to be executed and delivered by the Seller pursuant hereto and to carry out its obligations hereunder and thereunder. The Shareholders have full individual power and the legal capacity to enter into this Agreement and the other documents and instruments to be executed and delivered by the Shareholders pursuant hereto (to the extent that such Person is a party hereto or thereto) and to carry out the Shareholders' obligations hereunder and thereunder. The execution, delivery and performance of this Agreement by the Seller and the other documents and instruments to be executed and delivered by the Seller pursuant hereto, and the consummation by the Seller of the transactions contemplated hereby and thereby, have been duly and validly authorized by the board of directors of the Seller and the Shareholders and no other corporate act or proceeding on the part of the Seller or the Shareholders, as applicable, is necessary to authorize the execution and delivery by the Seller of this Agreement or the other documents or instruments to be executed and delivered by the Seller pursuant hereto, or the consummation by the Seller of the transactions contemplated hereby or thereby. This Agreement and the other documents and instruments to be executed and delivered by the Seller or the Shareholders pursuant hereto (to the extent that such Person is a party hereto or thereto) have been duly and validly executed and delivered by the Seller and the Shareholders (to the extent that such Person is a party hereto or thereto) and, assuming this Agreement and the other documents and instruments to be executed and delivered by the Seller or the Shareholders pursuant hereto (to the extent that such Person is a party hereto or thereto) are the valid and binding obligation of any other parties hereto or thereto, constitutes a valid and binding obligation of the Seller and the Shareholders (to the extent that such Person is a party hereto or thereto) enforceable against the Seller and the Shareholders (to the extent that such Person is a party hereto or thereto) in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency or other similar laws, now or hereafter in effect, affecting creditors' rights generally, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 4.2 *Equity; Good Title.*

(a) As of the date hereof, the authorized capital stock of the Seller consists of one thousand (1,000) shares of common stock, par value $1.00 per share (the "Common Stock"). As of the date hereof, one thousand (1,000) shares of the Common Stock are issued and outstanding, all of which, when issued, were duly authorized, validly issued, fully paid and nonassessable and free of any preemptive or other similar rights. No other shares of the Capital Stock of the Seller are issued and outstanding.

(b) All of the outstanding shares of Capital Stock of the Seller are owned beneficially and of record by the Shareholders, free and clear of all Liens and the Shareholders are bound by the terms of this Agreement.

(c) There are no outstanding subscriptions, options, warrants, calls, rights, contracts, commitments, understandings, restrictions or arrangements relating to the issuance, sale, transfer or voting of any shares of Capital Stock of the Seller, including any rights of conversion or exchange under any outstanding securities or other instruments.



(d) The Seller has no Subsidiaries. The Seller does not own any equity or other ownership interests in any other Person.

Section 4.3 *Organization.* The Seller (a) is a corporation, duly incorporated, validly existing and in good standing under the laws of the State of Alabama, and (b) has full power and authority to own all of its properties and assets, including the Assets, and to carry on the Business as it is now being conducted. The Seller is duly licensed or qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership, lease or operation of its assets and properties or the conduct of the Business requires such license or qualification, except where the failure to be so licensed or qualified would not have a Material Adverse Effect. The Seller has delivered to Purchaser a complete and correct copy of the articles of incorporation, bylaws and other organizational documents of the Seller. Such articles of incorporation, bylaws and other organizational documents are in full force and effect and the Seller is not in violation of any provision of such articles of incorporation, bylaws or organizational documents.

Section 4.4 *No Conflict.* Neither the execution, delivery or performance of this Agreement or the other documents and instruments to be executed and delivered by the Seller or the Shareholders pursuant hereto, nor the consummation by the Seller or the Shareholders of the transactions contemplated hereby or thereby, nor compliance by the Seller or the Shareholders with any of the provisions hereof or thereof will (a) conflict with or result in any breach of any provision of the articles of incorporation or bylaws of the Seller, (b) except as set forth in *Schedule 4.4(b)*, constitute a change in control under, or require the consent from or the giving of notice to a third party, result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, or result in the creation of any Lien upon or affecting any of the Assets or the Shareholder Real Estate, including the Contracts, pursuant to, any of the terms, conditions or provisions of any contractual obligation of the Seller or the Shareholders, (c) violate any order, writ, injunction, decree, statute, rule or regulation of any Governmental Authority applicable to the Seller or the Shareholders or to which any of their properties or assets (including the Assets and the Shareholder Real Estate) may be bound, or (d) result in triggering of any right of first refusal or other right under any joint venture or other agreement to which the Seller or the Shareholders are a party.

Section 4.5 *Governmental Consents.* No consent, order or authorization of, or registration, declaration or filing with, any Governmental Authority is required on the part of the Seller or the Shareholders in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby by the Seller or the Shareholders.

Section 4.6 *Financial Statements.* The Seller has previously furnished to Purchaser the Financial Statements and the unaudited consolidated balance sheets and statements of income, changes in shareholders' equity and cash flow as of and for the three months ended March 31, 2005 for the Seller (the "First Quarter Financial Statements") and the unaudited consolidated balance sheets and statements of income, changes in shareholders' equity and cash flow as of and for the three and six months ended June 30, 2005 for the Seller (the "Second Quarter Financial Statements"). Except as set forth in *Schedule 4.6*, the Financial Statements (including the notes thereto), the First Quarter Financial Statements and the Second Quarter Financial Statements have been prepared in accordance with GAAP applied on a consistent basis during the periods involved, fairly present the financial position of the Seller on the dates thereof, fairly present the results of operations of the Seller for the periods involved, and are in accordance with the books and records of the Seller (which books and records are accurate). Reserves are reflected on the balance sheets in the Financial Statements, the First Quarter Financial Statements and the Second Quarter Financial Statements against assets in amounts that have been established on a basis consistent with the past practice.



Section 4.7 *Absence of Certain Changes or Events.* Except as set forth in *Schedule 4.7*, since June 30, 2005 (a) the Seller has conducted the Business only in the ordinary course and consistent with past practice, (b) there have not been any developments or events with respect to the Business which have had or would reasonably be likely to have, individually or in the aggregate, a Material Adverse Effect and (c) except as contemplated in this Agreement, the Seller has not:

(i) adopted any amendment to its articles of incorporation or bylaws;

(ii) (A) sold, leased, transferred or disposed of any assets or rights, other than assets or rights that individually or in the aggregate would not be material, in either case, and other than in the ordinary course of business consistent with past practice, (B) incurred any Lien upon any assets or rights, except for Liens incurred in the ordinary course of business consistent with past practice, (C) acquired or leased any assets or rights other than in the ordinary course of business consistent with past practice, or (D) entered into any commitment or transaction with respect to (A), (B) or (C) above;

(iii) (A) incurred, assumed or refinanced any Indebtedness or (B) made any loans, advances or capital contributions to, or investments in, any Person;

(iv) paid, discharged or satisfied any liability, obligation, or Lien other than payment, discharge or satisfaction of (A) Indebtedness as it matures and becomes due and payable or (B) liabilities, obligations or Liens in the ordinary course of business consistent with past practice;

(v) except as required in connection with the preparation of the Financial Statements, First Quarter Financial Statements and Second Quarter Financial Statements pursuant to Section 4.6, (A) changed any of the accounting or tax principles, practices or methods used by the Seller, except as required by changes in applicable Tax Laws, or (B) changed reserve amounts or policies;

(vi) entered into any employment contract or other arrangement or made any change in the compensation payable or to become payable to any Shareholder or any of its officers, employees, agents, consultants or Persons acting in a similar capacity (other

than general increases in wages to employees who are not officers or Persons acting in a similar capacity or Affiliates, in the ordinary course consistent with past practice), or to Persons providing management services, entered into or amended any employment, severance, consulting, termination or other agreement or employee benefit plan or made any loans to any of its Affiliates, officers, employees, agents or consultants or Persons acting in a similar capacity or made any change in its existing borrowing or lending arrangements for or on behalf of any of such Persons pursuant to an employee benefit plan or otherwise;

(vii) paid or made any accrual or arrangement for payment of any pension, retirement allowance or other employee benefit pursuant to any existing plan, agreement or arrangement to any Affiliate, officer, employee or Person acting in a similar capacity; or paid or agreed to pay or made any accrual or arrangement for payment to any Affiliate, officers, employees or Persons acting in a similar capacity of any amount relating to unused vacation days, except payments and accruals made in the ordinary course consistent with past practice; grant, issue, accelerate or accrue salary or other payments or benefits pursuant to any pension, profit-sharing, bonus, extra compensation, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other employee benefit plan, agreement or arrangement, or any employment or consulting agreement with or for the benefit of any Affiliate, officer, employee, agent or consultant or Person acting in a similar capacity, whether past or present; or amend in any material respect any such existing plan, agreement or arrangement in a manner consistent with the foregoing;

(viii) entered into any collective bargaining agreement;



(ix) made any payments (other than regular compensation payable to officers and employees or Persons acting in a similar capacity of the Seller in the ordinary course consistent with past practice), loans, advances or other distributions to, or enter into any transaction, agreement or arrangement with, the Seller' s Affiliates, officers, employees, agents, consultants or Persons acting in a similar capacity, shareholders of their Affiliates, associates or family members;

(x) made or authorized any capital expenditures, except in the ordinary course consistent with past practice not in excess of $100,000 individually or $250,000 in the aggregate;

(xi) incurred any Taxes, except in the ordinary course of business consistent with past practice;

(xii) settled or compromised any Tax liability or agreed to any adjustment of any Tax attribute or made any election with respect to Taxes;

(xiii) failed to duly and timely file any Tax Return with the appropriate Governmental Authorities required to be filed by it in a true and complete and correct form and to timely pay all Taxes shown to be due thereon;

(xiv) (A) entered into, amended, renewed or permitted the automatic renewal of, terminated or waived any right under, any Material Contract, or, except in the ordinary course of business consistent with past practice, any other agreement, or (B) took any action or failed to take any action that, with or without either notice or lapse of time, would constitute a default under any Material Contract;

(xv) (A) made any change in its working capital practices generally, including accelerating any collections of cash or accounts receivable or deferring payments or (B) failed to make timely accruals, including with respect to accounts payable and liabilities incurred in the ordinary course of business consistent with past practice;

(xvi) failed to renew (at levels consistent with presently existing levels), and has not terminated or amended or failed to perform, any of its obligations or permitted any material default to exist or caused any material breach under, or entered into (except for renewals in the ordinary course of business consistent with past practice), any material policy of insurance;

(xvii) experienced any damage, destruction, or loss to its property not covered by insurance;

(xviii) disposed of or permitted to lapse any material Intellectual Property or granted any license or sublicense of any rights with respect to Intellectual Property;

(xix) experienced significant failure on the part of the Seller to operate the Business in the ordinary course and consistent with past practice so as to preserve its business operations intact or to preserve the goodwill of suppliers, customers and others having business relations with the Seller;

(xx) received, and the Seller has no Knowledge of, any notice or other indication that any key supplier, vendor or customer of the Seller will cease doing business with the Seller (whether as a result of the consummation of the transactions contemplated hereby or otherwise) in the same manner and at the same level as previously conducted with the Seller, other than changes which occur from time to time in the ordinary course of business or as a result of the expiration or completion of any contracts (for purposes of this Article IV, "key suppliers, vendors and customers" of the Seller refers to those suppliers, vendors and customers of the Seller whose business failure would be reasonably likely to result in a Material Adverse Affect on the Business or the Seller);

(xxi) except in the ordinary course of business consistent with past practice, and except as required by any Law, provided any confidential information to any Person other than Purchaser;



(xxii) changed the compensation levels (including any bonus or formula for the calculation of any bonus) applicable to any class of the Seller' s employees;

(xxiii) declared, set aside or paid any dividend or made any distribution with respect to the Capital Stock; or

(xxiv) by action on the part of the Seller, cancelled, compromised, waived or released any rights or claims.

Section 4.8 *Absence of Undisclosed Liabilities.* Except as set forth on *Schedule 4.8*, the Seller has no Liabilities that would be required to be reserved against or disclosed in a financial statement prepared in accordance with GAAP, except for (i) Liabilities set forth on the face of the balance sheet, or otherwise reserved against, in the Second Quarter Financial Statements (rather than in the notes thereto), and (ii) Liabilities which have arisen after the date of the balance sheet in the Second Quarter Financial Statements in the ordinary course of business consistent with past practice (none of which, to Seller' s Knowledge, results from, arises out of, related to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement, or violation of law), which in either case have not had and could not reasonably be expected to have a Material Adverse Effect.

Section 4.9 *Property; Assets.*

(a) The Seller owns, or otherwise has a valid leasehold interest providing sufficient and legally enforceable rights to use, all of the property and assets necessary or otherwise material to the conduct of the Business. The Shareholders jointly own the Shareholder Real Estate in fee simple. Except as set forth in *Schedule 4.9(a)*, the Seller has good and marketable title to all assets reflected on the Second Quarter Balance Sheet, free and clear of all Liens; provided, however, that any Real Property may be subject to easements and non-monetary Liens which do not adversely impact the use of the Shareholder Real Estate by the Business as currently conducted. Except as set forth in *Schedule 4.9(a)*, all such assets which have a value in excess of $1,000, singly, are in good operating condition and repair (ordinary wear and tear excepted), have been reasonably maintained consistent with standards generally followed in the industry, are suitable for their present uses and, in the case of owned or leased structures, are structurally sound.

(b) *Schedule 4.9(b)* contains a list of all real property owned, leased or used by the Seller including the Shareholder Real Estate (the "Real Property"), indicating whether such property is owned, leased or used. Except as set forth in *Schedule 4.9(b)*, the current use of the Real Property by the Seller and the Shareholder Real Estate by the Shareholders does not violate the certificate of occupancy thereof or any local zoning or similar land use or other Laws and none of the structures on the Real Property encroaches upon real property of another Person, and no structure of any other Person encroaches upon any Real Property. The Seller and the Shareholders have not received notice of any pending or threatened condemnation proceeding, or of any sale or other disposition in lieu of condemnation, affecting any of the Real Property. Each parcel of Real Property abuts on or has direct vehicular access to a public road. The Seller does not own, lease or use any Real Property other than the Real Property listed in *Schedule 4.9(b)*. Except as set forth in *Schedule 4.9(b)*, the Seller has not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the Real Property and the Shareholders have not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the Shareholder Real Estate.

(c) *Schedule 4.9(c)* sets forth as of June 30, 2005, a complete and accurate list of all furniture, equipment, fixed assets, leasehold improvements, manufacturing equipment, automobiles and all other tangible personal property (including its net book value) owned by, in the possession of, or used by the Seller in connection with the Business. Except as set forth in *Schedule 4.9(c)*, such personal property is not held under any lease, security agreement, conditional sales contract, or other title retention or

security arrangement or subject to any Liens or encumbrances, and is not located other than in the possession of the Seller.

(d) All receivables of the Seller reflected on the balance sheet in the Second Quarter Financial Statements or created after the date of the balance sheet in the Second Quarter Financial Statements arose from valid transactions in the ordinary course of business consistent with past practice.

Section 4.10 *Litigation and Claims; Compliance with Laws.*

(a) *Schedule 4.10(a)* sets forth all Litigation as of the date hereof, including the name of the claimant, the date of the alleged act or omission, a detailed narrative as to the nature of the alleged act or omission, the date the matter was referred to an insurance carrier of the Seller (if referred), the estimated amount of exposure, the amount the Seller has reserved, or the amount of the Seller' s claim and estimated expenses of the Seller in connection with such matters. Except as set forth in *Schedule 4.10(a)*, there is no Litigation which is not fully covered (other than applicable deductibles) by the insurance policies referenced in Section 4.12. Neither the Seller nor any of the Assets is subject to any order, consent decree, settlement or similar agreement with any Governmental Authority. There is no judgment, injunction, decree, order or other determination of an arbitrator or Governmental Authority specifically applicable to the Seller or the Shareholders or any of the Seller' s properties or assets. There is no Litigation relating to alleged unlawful discrimination or sexual harassment. As of the date hereof, there is no Litigation which seeks to prevent consummation of the transactions contemplated hereby or which seeks material damages in connection with the transactions contemplated hereby.

(b) Except as set forth in *Schedule 4.10(b)*, the Seller has complied and is in compliance with all Laws applicable to the Seller and the Business except where the failure to be in compliance would not reasonably be expected to have a Material Adverse Effect. Except as set forth in *Schedule 4.10(b)*, the Seller holds all material licenses, permits and other authorizations of Governmental Authorities necessary to conduct the Business as now being conducted or, under currently applicable Laws, to continue to conduct the Business as now being conducted. Except as set forth in *Schedule 4.10(b)*, to the Knowledge of the Seller there is no intent to make any changes in the conduct of the Business that will result in or cause the Seller to be in noncompliance with applicable Laws or that will require changes in or a loss of any such licenses, permits or other authorizations or an increase in any expenses related thereto except where such noncompliance, change, loss or increase would not reasonably be expected to have a Material Adverse Effect. Such licenses, permits and other authorizations as aforesaid held by the Seller are valid and in full force and effect, and there are no (i) actions pending, or to the Knowledge of the Seller, threatened or (ii) to the Knowledge of the Seller, investigations pending or threatened that could result in the termination, impairment or nonrenewal thereof.

Section 4.11 *Taxes.*

(a) All United States federal Tax Returns and all other Tax Returns required to be filed with any taxing authority by the Seller have been timely filed in accordance in all respects with all applicable Laws and are true, correct and complete in all material respects. The Seller has timely paid all Taxes due and payable and the Seller has withheld and paid all Taxes required to have been withheld and paid by the Seller in connection with amounts paid or owing to any employee, Independent Contractor, creditor, shareholder or other third party. Except as set forth in *Schedule 4.11*, there is no action, suit, proceeding, audit or claim pending against the Seller in respect of any Taxes, nor has any such action, suit, proceeding, audit or claim been threatened in writing. The Seller is not a party to or bound by any Tax sharing or allocation agreement or similar contract or assignment or any agreement that obligates the Seller to make any payment computed by references to the Taxes, taxable income or taxable losses of any other Person. There are no Liens with respect to Taxes on any of the assets or properties of the Seller. The Seller is not, and has never been, a member of an affiliated, consolidated, combined or unitary group, other than one of which the Seller was the common parent and has no liability for the



Taxes of any Person (other than itself) under Treasury Regulation §1.1502-6 (or any similar provision of state, local or foreign law), or as a transferee or successor, by contract or otherwise.

(b) All deficiencies asserted or assessments made as a result of any examinations of the Seller have been fully paid, or are fully reflected as a liability in the Second Quarter Balance Sheet, or are being contested and an adequate reserve therefor has been established and is

fully reflected in the Second Quarter Balance Sheet. The Seller has not received written notice from any Governmental Authority in a jurisdiction in which such entity does not file a Tax Return stating that such entity is or may be subject to taxation by that jurisdiction.

(c) None of the assets of the Seller is property required to be treated as being owned by any other Person pursuant to the "safe harbor lease" provisions of former Section 168(f)(8) of the Code. Neither the Seller nor any predecessors thereof by merger or consolidation has within the past three (3) years been a party to a transaction intended to qualify under Section 355 of the Code or under so much of Section 356 of the Code as relates to Section 355 of the Code. The Seller has not made any payments, is not obligated to make any payments, and is not a party to any agreement (other than this Agreement) or other arrangement that would obligate it to make any payments that would not be deductible under Section 280G of the Code. The Seller is not a party to any joint venture, partnership or other written arrangement or contract which would be treated as a partnership for United States federal income tax purposes for any period for which the statute of limitations for any Tax on the income therefrom has not expired. The due but unpaid Taxes of the Seller did not, as of the date hereof, exceed the reserve for Tax liability (rather than any reserve for deferred Taxes, established to reflect timing differences between book and Tax income) set forth on the face of the Second Quarter Balance Sheet (rather than in any notes thereto).

(d) The Seller has been an S corporation as defined in Section 1361(a)(ii) of the Code for all applicable periods since 1988. The Seller has never had any shareholder that was not an individual and who was not either a U.S. citizen or resident alien or a domestic trust as described in Section 1361(c)(2) of the Code. The Seller has never had more than thirty-five (35) shareholders. The Seller has had, since its inception, only one (1) class of stock outstanding, its common stock. No creditor of the Seller has ever had the right, as a result of any financing to the Seller, to acquire any equity interest in the Seller or otherwise participate in the equity of the Seller. The Seller has never had any subsidiaries. Any trust that has been a shareholder of the Seller since the Seller' s inception has met the requirements of Section 1361(c)(2) of the Code for the entire period that it was or has been a shareholder of the Seller.

Section 4.12 *Insurance. Schedule 4.12* sets forth a complete and accurate list as of the date hereof of all primary, excess and umbrella policies, bonds and other forms of insurance owned or held by or on behalf of or providing insurance coverage to the Seller and the Business and Assets (or, to the extent purchased by Seller, its officers, salespersons, agents or employees or Persons acting in a similar capacity) and the extent, if any, to which the limits of liability under such policies have been exhausted. True and complete copies of such policies are attached to *Schedule 4.12*. All such policies are in full force and effect and all such policies in such amounts will be outstanding and in full force and effect at the Closing. The Seller has not received notice of default under any such policy, nor has it received written notice of any pending or threatened termination of cancellation, coverage limitation or reduction, or material premium increase with respect to any such policy, other than renewal requirements in the ordinary course of business consistent with past practice. *Schedule 4.12* sets forth a complete and accurate summary of all of the self-insurance coverage provided by the Seller. No letters of credit have been posted and no cash has been restricted to support any reserves for insurance on the balance sheet in the Second Quarter Financial Statements.



Section 4.13 *Environmental Matters.* Except as otherwise described on *Schedule 4.13*:

(a) The Seller has complied and is in compliance with, and the Real Property and all improvements thereon are in compliance with, all Environmental Laws.

(b) The Seller has no liability, known or unknown, contingent or absolute, under any Environmental Law, nor is the Seller responsible for any such liability of any other Person under any Environmental Law, whether by contract, by operation of law or otherwise. There are no facts, circumstances, or conditions existing, initiated or occurring prior to the Closing Date, which have or will result in liability to the Seller under Environmental Laws. There are no pending or to the Knowledge of the Seller, threatened Environmental Claims.

(c) The Seller has been duly issued, and maintains all Environmental Permits necessary to operate the Business or Assets as currently operated. A true and complete list of all such Environmental Permits, all of which are valid and in full force and effect, is set forth in *Schedule 4.13(c)*. Seller has timely filed applications for all Environmental Permits. All of the Environmental Permits set forth in *Schedule 4.13(c)*are transferable and none require consent, notification, or other action to remain in full force and effect following consummation of the transactions contemplated hereby.

(d) The Real Property contains no underground improvements, including but not limited to treatment or storage tanks, or underground piping associated with such tanks, used currently or in the past for the management of Hazardous Materials, and no portion of the Real Property is or has been used as a dump or landfill or consists of or contains filled in land or wetlands. With respect to any real property formerly owned, operated, or leased by the Seller, during the period of such ownership, operation or tenancy, no portion of such property was used as a dump or landfill, and the Seller is not aware of any such use at any time prior to its ownership, operation, or tenancy of such real property. Neither PCBs, "toxic mold," nor asbestos-containing materials are present on or in the Real Property or the improvements thereon. There has been no Release of Hazardous Materials at, on, under, or from the Real Property, nor was there such a Release at any real property

formerly owned, operated or leased by the Seller, in each case during the period of such ownership, operation, or tenancy, such that the Seller is or could be liable for Remediation with respect to such Hazardous Materials. No water body into which Hazardous Materials are Released in connection with the Seller' s business is currently listed or proposed for listing under 33 U.S.C. §1313(d), nor are such properties adjacent to any such water body.

(e) The Seller has furnished to Purchaser accurate and complete copies of all environmental assessments, reports, audits and other documents in its possession or under its control that relate to the Real Property, compliance with Environmental Laws, or any other real property that the Seller formerly owned, operated, leased or used. To the Seller' s Knowledge, any information the Seller has furnished to Purchaser concerning the environmental conditions of the Real Property, prior uses of the Real Property, and the operations of the Seller related to compliance with Environmental Laws is accurate and complete.

(f) No Real Property, and to the Knowledge of the Seller, without inquiry, no property to which Hazardous Materials originating on or from such properties or the Business or Assets has been sent for treatment or disposal, is listed or proposed to be listed on the National Priorities List or CERCLIS or on any other governmental database or list of properties that may or do require Remediation under Environmental Laws. The Seller has not arranged, by contract, agreement, or otherwise, for the transportation, disposal or treatment of Hazardous Materials at any location such that it is or could be liable for Remediation of such location pursuant to Environmental Laws.

(g) No Encumbrance in favor of any person relating to or in connection with any Environmental Claim has been filed or has attached to the Real Property.



(h) No authorization, notification, recording, filing, consent, waiting period, Remediation, or approval is required under any Environmental Law in order to consummate the transactions contemplated hereby.

(i) To the Knowledge of the Seller, without inquiry, no proposed or final regulation published pursuant to Environmental Laws and no Environmental Permit for which the Seller has or should have applied, could reasonably be expected to result in a capital expenditure in excess of $10,000.

Section 4.14 *Material Contracts.*

(a) *Schedule 4.14* lists (without duplication) each of the following contracts and other agreements (or, in the case of oral contracts, summaries thereof) to which the Seller is a party or by or to which the Seller or any of its assets or properties is bound or subject (such contracts and agreements being "Material Contracts"):

(i) any advertising, market research or other marketing agreements;

(ii) any employment, severance, non-competition, consulting or other agreements of any nature with any current or former shareholder, officer or employee of the Seller or any Affiliate of any of such Persons;

(iii) any agreements relating to the making of any loan, guarantee or advance by the Seller;

(iv) any agreements providing for the indemnification by the Seller of any Person;

(v) any agreements with any Governmental Authority except those entered into in the ordinary course of business and consistent with past practice which are not material to the Seller;

(vi) any contracts, agreements and other arrangements for the sale of assets or for the furnishing of services, goods or products by or to the Seller (A) with firm commitments having a value in excess of $10,000 or (B) having a term which is greater than six months and which is not terminable by the Seller on less than 90 days' notice without the payment of any termination fee or similar payment;

(vii) any broker, distributor, dealer, representative or agency agreements;

(viii) any agreements (including settlement agreements) currently in effect pursuant to which the Seller licenses the right to use any Intellectual Property to any Person or from any Person, and any research and development agreements;

(ix) any confidentiality agreements entered into by the Seller during the period commencing five years prior to the date hereof pursuant to which confidential information has been provided to a third party or by which the Seller was restricted from providing information to third parties;

(x) any voting trust or similar agreements relating to the Capital Stock to which either a Shareholder or the Seller is a party;

(xi) any leases of Real Property;

(xii) any joint venture, partnership or similar documents or agreements;

(xiii) any agreements that limit or purport to limit the ability of the Seller or the Shareholders to own, operate, sell, transfer, pledge or otherwise dispose of any assets or to compete with any business;

(xiv) any agreement (or group of related agreements) under which the Seller has incurred, assumed, or guaranteed any indebtedness or borrowed money or any capitalized lease obligation in excess of $25,000 in the aggregate or under which it has imposed a security interest on any of its assets (including the Assets), tangible or intangible;



(xv) any other agreement (or group of related agreements) under which the consequences of a default or termination could reasonably be expected to have a Material Adverse Effect;

(xvi) any other agreement (or group of related agreements) the performance of which involves the payment of consideration in excess of $50,000 in the aggregate during any twelve (12)-month period; or

(xvii) all other agreements, contracts or commitments not made in the ordinary course of business and consistent with past practice which are material to the Seller.

(b) Each Material Contract is legal, valid and binding on and enforceable against the Seller, and, to the Knowledge of the Seller, the other parties thereto, and is in full force and effect. Except as set forth in *Schedule 4.14(b)*, upon consummation of the transactions contemplated by this Agreement, each Material Contract shall remain in full force and effect without any loss of benefits thereunder and without the need to obtain the consent of any party thereto to the transactions contemplated by this Agreement. The Seller is not (and with the giving of notice or lapse of time would not be) in material breach of, or material default under, any Material Contract and, to the Knowledge of the Seller, no other party thereto is in material breach of, or material default under, any Material Contract. Neither the Seller nor the Shareholders have received any written notice that any Material Contract is not enforceable against any party thereto, that any Material Contract has been terminated or repudiated before the expiration of its term or that any party to a Material Contract intends to terminate or repudiate such Material Contract prior to the termination date specified therein, or that any other party is in breach of, or default under, any Material Contract. True and complete copies of all Material Contracts or, in the case of oral agreements, if any, written summaries thereof, have been delivered to Purchaser.

Section 4.15 *Intellectual Property.*

(a) The Seller is the sole and exclusive owner of, or has the valid right to use, sell and license, all Intellectual Property necessary or otherwise material to the conduct of the Business as currently conducted and as currently proposed to be conducted free and clear of all Liens, but, in the case of any licensed Intellectual Property, subject to the terms of the applicable licenses thereof. Other than Excluded Assets and the Intellectual Property of any customer which has been provided solely pursuant to any contracts with such customer with respect to the manufacture of the products for such customer, *Schedule 2.1(a)(i)* sets forth a complete and accurate list (including whether the Seller is the owner or licensee thereof) of all (i) patents and patent applications, (ii) trademark or service mark registrations and applications, (iii) copyright registrations and applications and (iv) material unregistered copyrights, service marks, trademarks and trade names, each as owned or licensed by the Seller. The Seller is currently listed in the records of the appropriate federal, state or other governmental agency as the sole owner of record for each owned application and registration listed in *Schedule 2.1(a)(i)*.

(b) Each item of Intellectual Property listed in *Schedule 2.1(a)(i)* is valid and subsisting, in full force and effect in all material respects, and has not been canceled, expired or abandoned. The Seller possesses all right, title and interest in and to each such item free and clear of all Liens, provided, however, in the case of any licensed Intellectual Property, subject to the terms of the applicable licenses thereof.

True and correct copies of all such Intellectual Property licenses have been previously delivered to Purchaser. There is no pending, existing, or to the Knowledge of Seller, threatened, opposition, interference, cancellation proceeding or other legal or governmental proceeding before any court or registration authority in any jurisdiction against the items listed in *Schedule 2.1(a)(i)* or the Intellectual Property, which could reasonably be expected to have a Material Adverse Effect. Except as set forth on *Schedule 4.15(b)*, no Intellectual Property registration or application is subject to any maintenance fees or taxes or actions falling due, including without limitation the filing of an affidavit of use, renewal or response to an official action, within six (6) months after the Closing Date.



(c) *Schedule 2.1(a)(i)* lists all of the Computer Programs, other than non-material off-the-shelf software licensed pursuant to shrink-wrap licenses, which are owned, licensed, leased or otherwise used by the Seller in connection with the operation of the Business as currently conducted, and identifies which is owned, licensed, leased or otherwise used, as the case may be. Each Computer Program listed on *Schedule 2.1(a)(i)* is either (i) owned by the Seller, (ii) currently in the public domain or otherwise available to the Seller without the license, lease or consent of any third party or (iii) used under rights granted to the Seller pursuant to a written agreement, license or lease from a third party, which written agreement, license or lease is set forth in *Schedule 2.1(a)(i)*. The Seller uses the Computer Programs set forth in *Schedule 2.1(a)(i)* in connection with the operation of the Business as currently conducted and such use does not violate the rights of any third party. All Computer Programs identified in *Schedule 2.1(a)(i)* as owned by the Seller were developed for the Seller by (A) employees of the Seller within the scope of their employment, (B) third parties as "work-made-for-hire," as that term is defined under Section 101 of the United States Copyright Act (or under analogous laws of foreign jurisdictions, as applicable) pursuant to written agreements or (C) independent contractors who have assigned the entire right, title, and interest in and to such Computer Programs to the Seller pursuant to written agreements. None of the Computer Programs identified on *Schedule 2.1(a)(i)* as owned by the Seller contains any shareware, open source code, or other software whose use may require disclosure or licensing of intellectual property or proprietary rights embedded therein.

(d) *Schedule 2.1(a)(i)* sets forth a complete and accurate list of all agreements, other than non-material off-the-shelf software licensed pursuant to shrink-wrap licenses, pertaining to the use of or granting any right to use or practice any rights under any Intellectual Property, whether the Seller is the licensee or licensor thereunder (the "Licenses") and any written settlements or assignments relating to any Intellectual Property. The Seller has delivered to Purchaser complete and correct copies of all material Licenses (as amended to date), as well as copies of all registrations and applications identified on *Schedule 2.1(a)(i)*, including all other material written documentation evidencing ownership and prosecution (if applicable) of each such item. The Licenses are valid and binding obligations of each party thereto, enforceable against each such party in accordance with their terms, and there are no breaches or defaults under any Licenses, nor has any event occurred which with notice or lapse of time would constitute a breach or default, or permit termination, modification or acceleration, of any Licenses. No party to any License has given the Seller notice of its intention to cancel, terminate, change the scope of rights under, or fail to renew any License. Each License will continue to be valid, binding and enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby upon obtaining the Required Intellectual Property Consents (as hereinafter defined), if any. The Seller has not granted any sublicense or similar right with respect to any License.

(e) No trade secret or confidential know-how either of which is material to the Business as currently operated has been disclosed or authorized to be disclosed to any third party, other than pursuant to a non-disclosure agreement that protects the Seller' s proprietary interests in and to such trade secrets and confidential know-how. The Seller has taken all reasonable precautions to protect the secrecy, confidentiality and value of its trade secrets and confidential know-how. The Seller has at all times complied with and is in compliance with all applicable laws relating to privacy, data protection or the collection, retention, use and disclosure of personal information. The Seller has at all times complied in all material respects with and is in compliance with all rules, policies and procedures established by the Seller from time to time with respect to privacy, publicity, data protection and the collection, retention, use and disclosure of personal information.

(f) To the Knowledge of the Seller, the conduct of the Business as currently conducted and as conducted for the three (3) year period immediately preceding the Closing Date does not and did not interfere with, infringe upon or misappropriate any intellectual property right owned or controlled by any third party, nor to the Knowledge of the Seller will Purchaser interfere with, infringe upon or



misappropriate any intellectual property right owned or controlled by any third party as a result of the continued operation of the Business as currently conducted and as currently proposed to be conducted. To the Knowledge of Seller, no third party is interfering with, infringing upon or misappropriating, or has at any time during the three (3) year period immediately preceding the Closing Date interfered with, infringed upon or misappropriated, any Intellectual Property owned by the Seller and no such claims have been made against a third party by the Seller. There are no claims or suits pending or, to the Knowledge of the Seller, threatened, and the Seller has not received any written notice of a third

party demand, Claim or suit (i) alleging that the Seller' s activities or the conduct of the Business infringes or infringed upon or constitutes or constituted the unauthorized use of the proprietary rights of any third party or (ii) to the Knowledge of the Seller, challenging ownership, use, validity or enforceability of the Intellectual Property.

(g) There are no settlements, consents, judgments or orders or other agreements with the Seller which restrict the rights of the Seller to use any Intellectual Property, or other agreements by the Seller which restrict the Seller' s rights to use any Intellectual Property owned by the Seller.

(h) Except as set forth in Schedule 4.15(h), each item of Intellectual Property owned, licensed or available for use by the Seller immediately prior to the consummation of the transactions contemplated hereby will be owned, licensed or available for use by Purchaser on identical terms and conditions immediately subsequent to such consummation free and clear of all Liens. The consummation of the transactions contemplated hereby will not require the consent of any Governmental Authority or third party in respect of any such Intellectual Property except for such consents set forth in *Schedule 4.15(h)* (the "Required Intellectual Property Consents").

(i) Except as set forth on *Schedule 4.15(i)*, no current or former officer, director, employee or consultant of the Seller has any right, title or interest, directly or indirectly, in whole or in part, in or to any Intellectual Property.

Section 4.16 *Employee Benefits; ERISA.*

(a) *Schedule 4.16(a)* contains a true and complete list of each employment, bonus, deferred compensation, incentive compensation, stock purchase, stock option, restricted stock, stock appreciation right or other stock-based incentive, severance, change-in-control, or termination pay, hospitalization or other medical, disability, life or other insurance, supplemental unemployment benefits, profit-sharing, pension, or retirement plan, program, agreement or arrangement, and each other employee benefit plan, program, agreement or arrangement, whether written or unwritten, which is or was within the last three years sponsored by, maintained by, participated in or contributed to or required to be contributed to by the Seller or by any trade or business, whether or not incorporated (an "ERISA Affiliate"), that together with the Seller would be deemed a "single employer" within the meaning of Section 4001(b)(1) of ERISA, for the benefit of any current or former employee of the Seller or any ERISA Affiliate (the "Plans"). *Schedule 4.16(a)* identifies each of the Plans that is an "employee welfare benefit plan," or "employee pension benefit plan" as such terms are defined in Sections 3(1) and 3(2) of ERISA (such plans being hereinafter referred to collectively as the "ERISA Plans"). Neither the Seller nor any ERISA Affiliate has any formal plan or commitment, whether legally binding or not, to create any additional Plan or modify or change any existing Plan that would affect any current or former employee of the Seller or any ERISA Affiliate.

(b) With respect to each of the Plans, the Seller has heretofore delivered to Purchaser true and complete copies of each of the following documents, as applicable:

(i) a copy of the Plan documents (including all amendments thereto) for each written Plan or a written description of any Plan that is not otherwise in writing;



(ii) a copy of the annual report or Internal Revenue Service Form 5500 Series, if required under ERISA, with respect to each ERISA Plan for the last three Plan years ending prior to the date of this Agreement for which such a report was filed;

(iii) a copy of the most recent Summary Plan Description ("SPD"), together with all Summaries of Material Modification issued with respect to such SPD, if required under ERISA, with respect to each ERISA Plan, and all other material employee communications relating to each ERISA Plan;

(iv) if the Plan is funded through a trust or any other funding vehicle, a copy of the trust or other funding agreement (including all amendments thereto) and the latest financial statements thereof, if any;

(v) all contracts relating to the Plans with respect to which the Seller or any ERISA Affiliate may have any liability, including insurance contracts, investment management agreements, subscription and participation agreements and record keeping agreements;

(vi) the most recent determination letter received from the IRS with respect to each Plan that is intended to be qualified under Section 401(a) of the Code.; and

(vii) a copy of all correspondence with respect to the Plans with the Internal Revenue Service or the U.S. Department of Labor.

(c) No Plan is (i) a defined benefit plan within the meaning of ERISA Section 3(35), (ii) a multiemployer plan within the meaning of ERISA Section 3(37), or (iii) a voluntary employees' beneficiary association within the meaning of Code Section 501(c)(9). No liability under Title IV of ERISA has been incurred by the Seller or any ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a material risk.

(d) Neither the Seller, nor any ERISA Affiliate, any of the ERISA Plans, any trust created thereunder, nor to the Knowledge of the Seller, any trustee or administrator thereof has engaged in a transaction or has taken or failed to take any action in connection with which the Seller or any ERISA Affiliate could be subject to any material liability for either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975(a) or (b), 4976 or 4980B of the Code.

(e) All contributions and premiums which the Seller or any ERISA Affiliate is required to pay under the terms of each of the ERISA Plans and Section 412 of the Code, have, to the extent due, been paid in full or properly recorded on the financial statements or records of the Seller.

(f) Each of the Plans has been operated and administered in all material respects in accordance with its terms and with applicable Laws, including but not limited to ERISA and the Code.

(g) Each of the ERISA Plans that is intended to be "qualified" within the meaning of Section 401(a) of the Code is so qualified. The Seller has finally applied for and received a currently effective determination letter from the IRS stating that it is so qualified, and no event has occurred with would affect such qualified status.

(h) No amounts payable under any of the Plans or any other contract, agreement or arrangement with respect to which the Seller may have any liability could fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code.

(i) No Plan provides benefits, including death or medical benefits (whether or not insured) with respect to current or former employees of the Seller or any ERISA Affiliate after retirement or other termination of service (other than (i) coverage mandated by applicable Laws, (ii) death benefits or retirements benefits under any "employee pension plan," as that term is defined in Section 3(2) of ERISA, (iii) deferred compensation benefits accrued as liabilities on the books of the Seller or an ERISA Affiliate, or (iv) benefits, the full direct cost of which is borne by the current or former employee (or beneficiary thereof)).



(j) The consummation of the transactions contemplated by this Agreement will not (i) entitle any current or former employee or officer of the Seller or any ERISA Affiliate to severance pay, unemployment compensation or any other similar termination payment or (ii) accelerate the time of payment or vesting or increase the amount of or otherwise enhance any benefit due any such employee, officer or director.

(k) There are no pending or, to the Knowledge of the Seller, threatened or anticipated, claims by or on behalf of any Plan, by an employee or beneficiary under any such Plan, or otherwise involving any such Plan (other than routine claims for benefits).

(l) On and after the Closing, Purchaser and its Affiliates shall assume no liability or obligation and shall have no liability or obligation with respect to any Seller Plan or any benefits or other amounts payable and provided under any Seller Plan or any contract relating to employment or termination of employment between the Seller or any of its Affiliates and any of their employees or former employees.

Section 4.17 *Labor Matters.* Except as set forth in *Schedule 4.17*, (i) there is no labor strike, dispute, slowdown, stoppage or lockout actually pending, or to the Knowledge of the Seller, threatened against or affecting the Seller and during the past five years there has not been any such action, (ii) the Seller is not a party to or bound by any collective bargaining or similar agreement with any labor organization, or work rules or practices agreed to with any labor organization or employee association applicable to employees of the Seller, (iii) none of the employees of the Seller is represented by any labor organization and the Seller has no Knowledge of any union organizing activities among the employees of the Seller within the past five years, nor does any question concerning representation exist concerning such employees, (iv) there are no written personnel policies, rules or procedures applicable to employees of the Seller, other than those set forth in *Schedule 4.17*, true and correct copies of which have been delivered to Purchaser prior to the Closing Date, (v) the Seller is, and has at all times been, in compliance, in all material respects, with all applicable Laws respecting employment and employment practices, terms and

conditions of employment, wages, hours of work and occupational safety and health, and is not engaged in any unfair labor practices as defined in the National Labor Relations Act or other applicable Laws, (vi) there is no unfair labor practice charge or complaint against the Seller pending or, to the Knowledge of the Seller, threatened before the National Labor Relations Board or any similar state or foreign agency, (vii) there is no grievance arising out of any collective bargaining agreement or other grievance procedure, (viii) to the Knowledge of the Seller, no charges with respect to or relating to the Seller are pending before the Equal Employment Opportunity Commission or any other agency responsible for the prevention of unlawful employment practices, (ix) the Seller has not received a notice of the intent of any federal, state, local or foreign agency responsible for the enforcement of labor or employment Laws to conduct an investigation with respect to or relating to the Seller and no such investigation is in progress, and (x) there are no complaints, lawsuits or other proceedings pending or, to the Knowledge of the Seller, threatened in any forum by or on behalf of any present or former employee of the Seller, any applicant for employment or classes of the foregoing alleging breach of any express or implied contract or employment, any Laws governing employment or the termination thereof or other discriminatory, wrongful or tortious conduct in connection with the employment relationship. To the Seller' s Knowledge, no executive, key employee, or group of employees has any plans to reject any employment opportunity associated with the Business that may be offered by Purchaser other than the Shareholders. Prior to the Closing, the Seller has terminated the employment of all of the employees of the Seller who have not tendered their resignation to the Seller on or prior to the Closing Date.

Section 4.18 *Records.* Complete copies of all minute books of the board of directors and the Shareholders of the Seller have been made available by the Seller to Purchaser. The minute books do not contain any omissions that would have a Material Adverse Effect.



Section 4.19 *Affiliate Transactions.* *Schedule 4.19* lists all agreements, arrangements and currently proposed agreements and arrangements, by or between the Seller, on the one hand, with or for the benefit of any current or former partner, officer or other Affiliate of the Seller or any of such Person' s Affiliates, or any entity in which any such Person has a direct or indirect material interest. *Schedule 4.19* lists all payments of any kind since January 1, 2005, from the Seller, to or for the benefit of any current or former partner, officer or other Affiliate of the Seller or any of such Person' s Affiliates, or any entity in which any such Person has a direct or indirect material interest. To the extent being assumed by Purchaser, all outstanding debts and other obligations of the Seller to the Shareholders were incurred in return for fair and adequate consideration paid or delivered by them in cash or other property. All debts of the Shareholders or the Seller' s officers or the respective Affiliates of the Seller to the Seller are reflected on the Second Quarter Balance Sheet.

Section 4.20 *Indebtedness.* The Seller has no Indebtedness outstanding other than as reflected in the balance sheet in the Second Quarter Financial Statements and, with respect to Indebtedness incurred after the date thereof, as set forth in *Schedule 4.20*.

Section 4.21 *Brokers, Finders, Etc.* Except as set forth in *Schedule 4.21*, neither the Seller nor the Shareholders have employed or are subject to the valid claim of, nor have the Seller or the Shareholders incurred any Liability that would be payable by the Seller for any brokerage, finder' s or other fees or commissions of, any broker, finder or other financial intermediary in connection with the transactions contemplated by this Agreement.

Section 4.22 *Questionable Payments.* Neither the Seller, any officer thereof, nor the Shareholders have used any funds of the Seller for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, made any direct or indirect unlawful payments to government officials or employees from corporate funds, established or maintained any unlawful or unrecorded fund or corporate moneys or other assets, made any false or fictitious entries on the books or records of any such corporations, made any bribe, payoff, kickback or other unlawful payment.

Section 4.23 *Competing Business.* Neither the Shareholders nor the Shareholders' Relatives have any direct or indirect interest of any nature whatever in any Person which competes with, conducts any business similar to, has any arrangement or agreement with, or is involved in any way with, any business similar to the Business.

Section 4.24 *Compliance With Bulk Sales Act; Uniform Commercial Code.* There are not, and will not be, any creditors who can legally object to the transfer of the Assets under any applicable Bulk Sales Act or the Uniform Commercial Code, or statutes of similar import, if applicable.

Section 4.25 *Product Warranty and Liability.* It is the Seller' s standard practice to sell each product sold by the Seller in conformity with all applicable contractual commitments, if any, and all express and implied warranties of the manufacturer. All products sold by the Seller have been sold in conformity with such practice, except for such deviations therefrom that have not had, and would not reasonably be expected to have, a Material Adverse Effect. Except as set forth in *Schedule 4.25*, no product sold by the Seller is subject to any other guaranty, warranty or other indemnity beyond the applicable standard terms and conditions of sale. No third party has advised the Seller that it has any liability, and to the Seller' s Knowledge, it has no liability, arising out of any injury to individuals or property as a result of the ownership, possession or use of any product sold by the Seller prior to the Closing.

Section 4.26 *Naturalization of the Employees.* The Seller has not received a notice of any violation of any immigration and naturalization laws relating to employment and employees and has properly completed and maintained all applicable forms (including I-9 forms) and the Seller is in compliance with all such immigration and naturalization laws and there are no citations, investigations, administrative proceedings or formal complaints of violations of the immigration or naturalization laws



pending or, to the Knowledge of the Seller, threatened before the Immigration and Naturalization Service of any federal, state or administrative agency or court against or involving the Seller.

Section 4.27 *Bank Accounts.* Attached hereto as *Schedule 4.27* is a list of all banks or other financial institutions (collectively, "Banks") with which the Seller has an account or maintains a safe deposit box, showing the type and account number of each such account and safe deposit box and the names of the Persons authorized as signatories thereon or to act or deal in connection therewith. Each of the Seller' s accounts at the Banks contains sufficient funds to pay all outstanding checks that have been drawn on such accounts and sufficient funds to pay all outstanding checks shall remain in such accounts until the outstanding checks are cashed.

Section 4.28 *Earnout Plan.* To the extent that the Seller has determined to implement any plan pursuant to which employees of the Seller may obtain a portion of the Earnout Amounts (the "Earnout Plan"), the Seller has (i) provided the Earnout Plan to Purchaser for approval, (ii) obtained approval of the Earnout Plan from Purchaser and (iii) not amended, revised or changed the Earnout Plan in any manner after obtaining Purchaser' s approval of the Earnout Plan. The rights of the employees of Seller pursuant to the Earnout Plan are non-transferable, non-forfeitable and are not conditioned upon any future employment with, or service to, the Seller or Purchaser. The employees eligible to participate in the Earnout Plan are only those employees who were employed with the Seller prior to the Closing.

## ARTICLE V
## REPRESENTATIONS AND WARRANTIES OF PARENT AND PURCHASER

Parent and Purchaser hereby jointly and severally represent and warrant to the Seller and the Shareholders that the statements contained in this Article V are accurate and complete as of the date hereof, except as set forth in the disclosure schedules accompanying this Agreement. The disclosure schedules are arranged in numbered and lettered paragraphs corresponding to the numbered and lettered Sections contained in this Article V.

Section 5.1 *Authorization and Validity.* Each of Parent and Purchaser has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Parent and Purchaser and the consummation by Parent and Purchaser of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Parent and Purchaser, and no other corporate proceedings on the part of Parent or Purchaser are necessary to authorize this Agreement or the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by Parent and Purchaser, and, assuming due execution and delivery by the Seller and the Shareholders, constitutes a valid and binding obligation of Parent and Purchaser enforceable against Parent and Purchaser in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency or other similar laws, now or hereafter in effect, affecting creditors' rights generally, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 5.2 *Organization.* Parent is a corporation organized under the laws of the state of Colorado. Purchaser is a corporation organized under the laws of the State of Delaware. Each of Parent and Purchaser is duly organized, validly existing and in good standing and has full power and authority to carry on its business as presently conducted. Each of Parent and Purchaser is duly licensed or qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership, lease or operation of its assets and properties or the conduct of its business requires such license or qualification. Each of Parent and Purchaser has delivered to the Seller a complete and correct copy of its certificate of incorporation and bylaws, each as amended to date. Such organizational documents are in full force and effect.

Section 5.3 *No Conflict.* Neither the execution, delivery or performance of this Agreement or the other documents and instruments to be executed and delivered by Parent or Purchaser pursuant hereto, nor the consummation by Parent or Purchaser of the transactions contemplated hereby or thereby, nor compliance by Parent or Purchaser with any of the provisions hereof or thereof will (a) conflict with or result in any breach of any provision of the articles of incorporation or bylaws of Parent or Purchaser, (b) except as set forth in *Schedule 5.3(b)*, constitute a change in control under, or require the consent from or the giving of notice to a third party, result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, or result in the creation of any Lien upon or affecting any of the assets of Parent or Purchaser pursuant to, any of the terms, conditions or provisions of any contractual obligation of Parent or Purchaser or (c) violate any order, writ, injunction, decree, statute, rule or regulation of any Governmental Authority applicable to Parent or Purchaser or to which any of its properties or assets may be bound.

Section 5.4 *Governmental Consents.* No consent, order or authorization of, or registration, declaration or filing with, any Governmental Authority is required on the part of Parent or Purchaser in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby by Parent or Purchaser.

Section 5.5 *Payment of Purchase Price.* Purchaser has the ability to pay the Closing Cash Payment and Parent has the ability to pay the Earnout Amounts and such payments do not require the consent or approval of any third party or constitute or cause any breach of any agreement to which Parent or Purchaser is a party.

## ARTICLE VI
## COVENANTS

Section 6.1 *Assignment of 401(k) Sponsorship.* The Seller and the Shareholders shall take any and all actions necessary and shall deliver any documents reasonably requested by Purchaser to effect on Closing the assignment of the plan sponsorship and the plan administration to Purchaser with respect to the Seller' s 401(k) plan.

Section 6.2 *Employees.* At the Closing, Purchaser shall offer employment to all of the employees of the Seller who have not tendered their resignation to the Seller on or prior to the date hereof at substantially their current annual salary or hourly rates of compensation listed on *Schedule 6.2* hereto and shall offer such employees benefits substantially similar to the benefits offered to such employees by the Seller as of the date hereof.

Section 6.3 *Proration.* The Shareholders and Purchaser shall prorate all real property taxes with respect to the Shareholder Real Estate that are incurred, accrued or payable as of the Closing Date based upon the most recent tax bills and information available. On the Closing Date, the proration shall be calculated and paid to Purchaser in cash or other immediately available funds, but not as an adjustment to the Purchase Price.

Section 6.4 *Cooperation.* From and after the Closing Date, the Seller and the Shareholders shall cooperate with Purchaser and any accounting firm engaged by Purchaser to provide any opinion on the Financial Statements and/or any review of the other financial statements of the Business prior to the Closing Date that may be required to be included from time to time by Purchaser or Parent in registration statements or periodic or other reports filed by Purchaser or Parent from time to time with the Securities and Exchange Commission, which cooperation shall include the giving of representation or other letters of reliance to such accounting firm in connection therewith, and to furnish to the officers, employees, authorized agents, accountants, counsel, financing sources and representatives of Purchaser and its Affiliates such additional financial information and operating data and other information regarding the Business prior to the Closing and the assets, properties and goodwill of the



Seller related to the Business prior to the Closing as the Purchaser and its Affiliates may from time to time reasonably request.

Section 6.5 *Further Assurances.* From and after the Closing Date, the Seller and the Shareholders shall promptly execute, acknowledge and deliver any other assurances or documents reasonably requested by Purchaser to permit Purchaser to satisfy its obligations hereunder or to evidence title, or to provide Purchaser with the benefits enumerated in this Agreement.

## ARTICLE VII
## SURVIVAL AND INDEMNIFICATION

Section 7.1 *Survival of Representations and Warranties.* Each of the representations and warranties made by Parent and Purchaser in this Agreement shall terminate on the second anniversary date of the Closing. Each of the representations and warranties made by the Shareholders or the Seller in this Agreement shall terminate on the second anniversary of the Closing Date; *provided*, *however*, that (i) the representations and warranties contained in Sections 4.11, 4.13, 4.16 and 4.26 shall survive the Closing until 90 days following the expiration of the applicable statute of limitations; (ii) the representations and warranties contained in Sections 4.1, 4.2 and 4.3 shall survive the Closing and remain in full force and effect without termination. In the event notice of any claim for indemnification under Section 7.4(a) hereof shall have been given within the applicable survival period, the representations and warranties that are the subject of such indemnification claim shall survive until such time as such claim is finally resolved. The covenants and agreements of the parties set forth in this Agreement and the indemnification obligations of the parties hereunder shall survive indefinitely except as expressly provided herein. This Section 7.1 shall not limit any claim for willful fraud or willful misrepresentation or any covenant or agreement by the parties which contemplates performance after the Closing.

Section 7.2 *Indemnification by the Seller and the Shareholders.*

(a) Subject to the other provisions of this Article VII, the Seller and each of the Shareholders shall, jointly and severally, indemnify, defend and hold harmless the Purchaser Indemnified Parties from and against any and all expenses, losses, damages, liabilities and out-of-pocket costs (including attorneys' fees and expenses), in each case, net of insurance proceeds if and when actually received ("Damages") suffered by any of the Purchaser Indemnified Parties to the extent resulting from, arising out of, or incurred with respect to:

(i) any breach of or inaccuracy in any representation or warranty (other than the Seller and Shareholder Non-Basket Representations) as of the Closing Date of the Seller or the Shareholders contained in this Agreement;

(ii) any breach of any covenant of the Seller or the Shareholders contained in this Agreement;

(iii) any breach of or inaccuracy in any representation or warranty as of the Closing Date of the Seller or the Shareholders contained in Sections 4.1 and 4.3 of this Agreement (collectively, the "Seller and Shareholder Non-Basket Representations");

(iii) all Litigation arising for any period up to and including the Closing Date;

(iv) all Liabilities relating to Environmental Claims arising from any facts, circumstances or conditions existing, initiated or occurring up to and including the Closing Date; and

(v) all Liabilities of Seller other than the Assumed Liabilities.

(b) The Purchaser Indemnified Parties may bring a claim seeking indemnification for Damages under Section 7.2(a)(i) under the terms and provisions of this Article VII only if the Damages



therefrom exceed on an individual basis an amount equal to TEN THOUSAND DOLLARS ($10,000), or on an aggregate basis, an amount equal to SEVENTY-FIVE THOUSAND DOLLARS ($75,000) (the "Seller' s Indemnification Threshold"), at which time all Damages under such Section may be claimed in full; *provided*, *however*, that the Seller' s Indemnification Threshold shall not apply to claims for willful fraud or willful misrepresentation. Notwithstanding anything to the contrary contained herein and solely for purposes of determining whether the Seller' s Indemnification Threshold has been exceeded, all qualifications and exceptions contained in Article IV relating to materiality or words of similar import (including Material Adverse Effect) shall be disregarded for purposes of determining whether there has been a breach or inaccuracy of any such representation or warranty pursuant to Section 7.2(a)(i) and the Seller' s Indemnification Threshold exceeded.

Section 7.3 *Indemnification by Parent and Purchaser.*

(a) Subject to the other provisions of this Article VII, Parent and Purchaser shall indemnify, defend and hold harmless the Seller Indemnified Parties from and against any and all Damages suffered by any of the Seller Indemnified Parties to the extent resulting from, arising out of, or incurred with respect to:

(i) any breach of or inaccuracy in any representation or warranty (other than the Parent and Purchaser Non-Basket Representations) as of the Closing Date of Parent or Purchaser contained in this Agreement;

(ii) any breach of any covenant of Parent or Purchaser contained in this Agreement;

(iii) any breach of or inaccuracy in any representation or warranty as of the Closing Date of Parent or Purchaser contained in Sections 5.1 and 5.2 of this Agreement (collectively, the "Parent and Purchaser Non-Basket Representations");

(iv) all Litigation arising for any period after the Closing Date; and

(v) Liabilities arising after the Closing Date from the Assumed Liabilities to the extent not resulting, directly or indirectly, from any breach of this Agreement by the Seller or the Shareholders.

(b) The Seller Indemnified Parties may bring a claim seeking indemnification for Damages under Sections 7.3(a)(i) under the terms and provisions of this Article VII only if the Damages therefrom exceed on an individual basis an amount equal to TEN THOUSAND DOLLARS ($10,000), or on an aggregate basis, an amount equal to SEVENTY-FIVE THOUSAND DOLLARS ($75,000) (the "Purchaser' s Indemnification Threshold"), at which time all Damages under such Section may be claimed in full; *provided*, *however*, that the Purchaser' s Indemnification Threshold shall not apply to claims for willful fraud or willful misrepresentation or to claims arising out of the failure of Parent or Purchaser to pay the Purchase Price. Notwithstanding anything to the contrary contained herein and solely for purposes of determining whether the Purchaser' s Indemnification Threshold has been exceeded, all qualifications and exceptions contained in Article V relating to materiality or words of similar import (including shall be disregarded for purposes of determining whether there has been a breach or inaccuracy of any such representation or warranty pursuant to Section 7.3(a)(i) and the Purchaser' s Indemnification Threshold exceeded.

Section 7.4 *Notice and Resolution of Claim.*

(a) An indemnified party under this Agreement shall promptly give written notice to the indemnifying party after obtaining knowledge of any third party claim or litigation against the indemnified party as to which recovery may be sought against the indemnifying party because of the indemnity set forth in Sections 7.2 or 7.3, specifying in reasonable detail the claim or litigation and the basis for indemnification; *provided*, *however*, that the failure of the indemnified party promptly to notify the indemnifying party of any such matter shall not release the indemnifying party, in whole or in part,



from its obligations under this Article VII except to the extent the indemnified party' s failure to so notify in breach of this subsection (a) materially prejudices the indemnifying party' s ability to defend against such third party claim or litigation. The indemnified party shall permit the indemnifying party to assume the defense of any such claim, litigation or any litigation resulting from such third party claim.

(b) If the indemnifying party assumes the defense of any such third party claim or litigation, the obligations of the indemnifying party under this Agreement shall consist of actively and diligently conducting the investigation, defense or settlement of such claim or litigation (including the retention of legal counsel) and, to the extent the indemnified party is entitled to indemnification, holding the indemnified party harmless from and against any and all losses caused by or arising out of any settlement approved by the indemnifying party or any judgment in connection with such claim or litigation, to the extent of such indemnification obligation. The indemnifying party shall not, in the defense of such claim or litigation, consent to entry of any judgment (except with the written consent of the indemnified party) or enter into any settlement (except with the written consent of the indemnified party): (i) that does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the indemnified party a complete release from, all liability in respect of such claim or litigation, or (ii) in the good faith judgment of the indemnified party, the effect of which is to permit any injunction, declaratory judgment, other order or other equitable relief to be entered, directly or indirectly, against any indemnified party which would likely be adverse to the continuing business interests of such indemnified party. The indemnifying party shall permit the indemnified party to participate in such defense or settlement through counsel chosen by the indemnified party, with the fees and expenses of such counsel borne by the indemnified party.

(c) Failure by the indemnifying party to notify the indemnified party of its election to assume the defense of any such claim or litigation by a third party within thirty (30) days after notice thereof has been given to the indemnifying party shall be deemed a waiver by the indemnifying party of its right to assume the defense of such claim or litigation. If the indemnifying party does not assume the defense of such claim or litigation by a third party, the indemnified party may defend or settle such claim or litigation in such matter as the indemnified party may deem appropriate and may settle such claim or litigation on such terms as it may deem appropriate.

(d) If any matter as to which a Purchaser Indemnified Party may be able to assert a claim for Damages under this Article VII is pending or unresolved, or any other matter as to which such Purchaser Indemnified Party actually or potentially may suffer Damages exists, at

the time any payment of the Escrow Amount or the Earnout Amounts, as applicable, is due from Parent or Purchaser to the Seller or the Shareholders, whether pursuant to Section 3.4(a), Section 3.4(b) or otherwise, Parent or Purchaser shall have the right, in addition to other rights and remedies and methods of recovery (whether under this Agreement or pursuant to applicable law), to withhold, or instruct and cause the Escrow Agent to withhold, from such payment an amount equal to the claim until such matters are resolved. If it is finally determined that such claims are covered by this Article VII, the amount of such claims, to the extent indemnification applies, may be obtained from the Seller or Shareholders or offset against the Escrow Amount or the Earnout Amounts, as applicable, and the remainder of the Escrow Amount or the Earnout Amounts, if any, shall be delivered to the Shareholders pursuant to the Escrow Agreement, Section 3.3(d) or Section 3.4, as applicable. If any matter as to which a Purchaser Indemnified Party has asserted a claim for Damages under this Article VII that is resolved in such Purchaser Indemnified Party' s favor, Parent or Purchaser shall have the right, in addition to other rights and remedies and methods of recovery (whether under this Agreement or pursuant to applicable law), to instruct and cause the Escrow Agent to release and pay to Parent or Purchaser, the amount of such claim, to the extent indemnification applies with respect thereto, in accordance with the Escrow Agreement.



Section 7.5 *Limitations.* Notwithstanding anything to the contrary contained herein, under no circumstances shall the Seller' s or the Shareholders' aggregate indemnification obligations under this Article VII exceed an amount equal to EIGHTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS ($18,500,000), and under no circumstances shall Parent' s or Purchaser' s indemnification obligations under this Article VII exceed an amount equal to EIGHTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS ($18,500,000); provided, however, that the obligations of Parent and Purchaser under Sections 3.3 and 3.4 shall not be subject to such cap.

Section 7.6 *Exclusive Remedy.* Subject to Section 8.8, (a) the indemnities provided in this Article VII are intended to be and shall be the sole and exclusive remedies of the Seller Indemnified Parties and the Purchaser Indemnified Parties regarding any matter touching upon or relating to the negotiation, entry of, consummation and closing of this Agreement and the performance of the Business; (b) the purpose of this exclusive and sole remedy provision is that the total amount recoverable from the Shareholders and the Seller on the one hand, or Purchaser on the other, as described in Section 7.5 hereof, represents the total amount recoverable from them for any and all causes of action against them whether under this Agreement or otherwise; and (c) each party is relying upon the other' s agreement and representation that the remedies provided for in this Article VII shall be the sole and exclusive remedies of (i) the Purchaser Indemnified Parties against Seller and the Shareholders and (ii) the Seller Indemnified Parties against Purchaser. Notwithstanding anything to the contrary contained in this Agreement, the limitations contained in Section 7.5 and Section 7.6 shall not apply to claims for willful fraud or willful misrepresentation.

Section 7.7 *Mitigation of Damages.* Each of Purchaser, the Seller and the Shareholders agree to use commercially reasonable efforts to mitigate any Damages which are subject to indemnification hereunder.

## ARTICLE VIII
## MISCELLANEOUS

Section 8.1 *Notices.* All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and if served by personal delivery upon the party for whom it is intended, if delivered by registered or certified mail, return receipt requested, or by a national courier service, or if sent by facsimile, *provided*, *however* that the facsimile is promptly followed by telephone confirmation thereof to the appropriate person at the address set forth below, or at such other address as may be designated in writing hereafter, in the same manner, by such person.

To the Seller or the Shareholders:

Campbell Engineering, Inc.
2719 Trevor Drive
Huntsville, Alabama 35802
Telephone: (256) 882-2745
Attention: Richard A. Campbell

with a copy to:

Bradley Arant Rose & White LLP
One Federal Place
1819 - 5th Avenue North

Birmingham, Alabama 35203-2119
Telephone: (205) 521-8246
Facsimile: (205) 488-6246
Attention: Denson N. Franklin, III



To Parent or Purchaser:

Accellent Corp.
200 West 7th Avenue
Collegeville, Pennsylvania 19426
Telephone: (610) 489-0300
Facsimile: (610) 489-1150
Attention: Stewart Fisher

with a copy to:

Hogan & Hartson L.L.P.
One Tabor Center
1200 17th Street, Suite 1500
Denver, Colorado 80202
Telephone: (303) 899-7300
Facsimile: (303) 899-7333
Attention: Christopher J. Walsh

Any such notice shall be deemed delivered (a) on the date delivered if by personal delivery, (b) on the date upon which the return receipt is signed or delivery is refused or the notice is designed by the postal authorities as a not deliverable, as the case may be, if mailed by registered or certified mail, (c) on the next succeeding Business Day if sent by national courier service, or (d) on the date telecommunicated if by telecopier if confirmed by telephone confirmation.

Section 8.2 *Amendment, Waiver.* Any provision of this Agreement may be amended or waived if, and only if such amendment or waiver is in writing and signed, in the case of an amendment, by Parent, Purchaser, the Seller and the Shareholders, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 8.3 *Assignment.* No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other parties hereto; *provided*, *however*, that each of Parent and Purchaser may assign any of its rights and obligations hereunder in whole or in part to any of its Affiliates without obtaining the consent of the other parties hereto, but shall remain liable for its obligations hereunder.

Section 8.4 *Entire Agreement.* This Agreement (including all Schedules and Exhibits hereto) contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

Section 8.5 *Parties in Interest.* This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer upon any Person other than Parent, Purchaser, the Seller, the Shareholders or their successors or permitted assigns, any rights or remedies under or by reason of this Agreement.

Section 8.6 *Expenses.* All costs and expenses incurred by Parent and Purchaser in connection with this Agreement and the transactions contemplated hereby shall be borne by Parent and Purchaser, and all costs and expenses incurred by the Shareholders and all costs

and expenses related to the transactions contemplated hereby incurred by the Seller in connection with this Agreement and the transactions contemplated hereby shall be borne by the Shareholders and the Sellers as they may mutually agree.



Section 8.7 *Governing Law; Jurisdiction; Service of Process.* This Agreement shall be governed by and construed in accordance with the Laws of the State of Delaware without regard to its rules of conflict of laws. Each of Parent, Purchaser, the Shareholders and the Seller hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the Court of Chancery of the State of Delaware, County of New Castle or, if under applicable Law, exclusive jurisdiction is vested in federal courts, then of the United States of America located in the District of Delaware (collectively, the "Delaware Courts") for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts), waives any objection to the laying of venue of any such litigation in the Delaware Courts and agrees not to plead or claim in any Delaware Court that such litigation brought therein has been brought in an inconvenient forum. Any party hereto may make service on another party by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 8.1. Nothing in this Section, however, shall affect the right of any party to serve legal process in any other manner permitted by law.

Section 8.8 *Specific Performance.* The parties hereto agree that if any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 8.9 *Transfer and Similar Taxes.* Notwithstanding any other provision of this Agreement to the contrary, the Seller shall assume and promptly pay when due all sales, property, use, privilege, transfer, documentary, gains, stamp, duties, and similar Taxes and fees (including any penalties, interest or additions) imposed upon any party incurred in connection with the transactions contemplated by this Agreement; *provided*, *however*, any recording fees or deed taxes shall be payable by Purchaser.

Section 8.10 *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page were an original itself.

Section 8.11 *Headings.* The heading references herein and in the table of contents hereto are for convenience purposes only, do not constitute a part of this Agreement, and shall not be deemed to limit or affect any of the provisions hereof.

[SIGNATURE PAGE FOLLOWS]



**SIGNATURES**

IN WITNESS WHEREOF, the parties have executed or caused this Agreement to be executed as of the date first above written.

**ACCELLENT CORP.**

By: /s/ STEWART A. FISHER
Name: Stewart A. Fisher
Title: Chief Financial Officer, Vice President, Secretary and Treasurer

**CE HUNTSVILLE HOLDINGS CORP.**

By: /s/ STEWART A. FISHER

Name: Stewart A. Fisher
Title: Chief Financial Officer, Vice President, Secretary and Treasurer

**CAMPBELL ENGINEERING, INC.**

By: /s/ RICHARD A. CAMPBELL
Name: Richard A. Campbell
Title: President

**SHAREHOLDERS**

By: /s/ RICHARD A. CAMPBELL
Name: Richard A. Campbell
Title: Shareholder

By: /s/ SUE CAMPBELL
Name: Sue Campbell
Title: Shareholder



***Schedule 1.1***

**DEFINITIONS**

*"Accounting Referee"* shall have the meaning set forth in Section 3.4(e) hereof.

*"Adjustment Notice"* shall have the meaning set forth in Section 3.2(b)(i) hereof.

*"Affiliate"* shall mean, as to any Person (i) any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person, (ii) any corporation or organization (other than a Subsidiary of such Person) of which such Person is an officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities, (iii) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity, (iv) any relative or spouse of such Person, or (v) any relative of such spouse who has the same home as such Person, relative or spouse or who is a director or officer of such Person or any of its parents or Subsidiaries. The term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, direct or indirect, of the power to elect a majority of the board of directors of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other ownership interest, by contract or otherwise.

*"Agreement"* shall have the meaning set forth in the preamble hereof.

*"Assets"* shall have the meaning set forth in Section 2.1(a) hereof.

*"Assumed Liabilities"* shall have the meaning set forth in Section 2.3(a) hereof.

*"Auditor"* shall have the meaning set forth in Section 3.2(b)(iii) hereof.

*"Auditor's Report"* shall have the meaning set forth in Section 3.2(b)(iii) hereof.

*"Banks"* shall have the meaning set forth in Section 4.29 hereof.

*"Baseline Net Working Capital Balance"* shall have the meaning set forth in Section 3.2(a) hereof.

*"Bill of Sale and Assignment Agreement"* shall mean such bills of sale, assignment and assumption agreements to be entered into by and between Purchaser and the Seller on the date of this Agreement, in form and substance reasonably satisfactory in each case to Purchaser and the Seller, pursuant to which the Seller will transfer the Assets held by it, and assign the liabilities to be assigned by it, to Purchaser and Purchaser will acquire such Assets and assume such liabilities from the Seller, as contemplated by Sections 2.1 and 2.3 of this Agreement.

*"Business"* shall have the meaning set forth in the first recital of this Agreement.

*"Business Day"* shall mean any day other than a Saturday, a Sunday or a day on which banks in the State of Alabama are authorized or obligated by law or executive order to close.

*"Capital Stock"* shall mean, as to the Seller, all of the shares of the Seller' s Common Stock and all other shares, regardless of class or series, of the Seller' s capital stock authorized to be issued in accordance with the Seller' s articles of incorporation, as the same may be amended as of the Closing Date.

*"CERCLIS"* shall mean the Comprehensive Environmental Response, Compensation, Liability Information System.

*"Claims"* shall mean all demands, claims, actions or causes of action, assessments, complaints, directives, citations, information requests issued by a Governmental Authority, legal proceedings, orders, notices of potential responsibility, losses, damages (including, without limitation, diminution in value), Liabilities, sanctions, costs and expenses, including interest, penalties and attorneys' and experts' fees and disbursements.

*"Closing"* shall have the meaning set forth in Section 3.6 hereof.

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*"Closing Cash Payment"* shall have the meaning set forth in Section 3.3(b) hereof.

*"Closing Date"* shall have the meaning set forth in Section 3.6 hereof.

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

*"Common Stock"* shall have the meaning set forth in Section 4.2(a) hereof.

*"Computer Programs"* shall mean any and all (i) computer software programs and software development tools, including all source and object code, (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (iii) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing, and (iv) documentation, including user manuals and training materials, relating to any of the foregoing.

*"Contracts"* shall have the meaning set forth in Section 2.1(a)(ii).

*"Damages"* shall have the meaning set forth in Section 7.2 hereof.

*"Delaware Courts"* shall have the meaning set forth in Section 8.7 hereof.

*"Earnout Amounts"* shall mean, collectively, the 2005 Earnout Amount and the 2006 Earnout Amount.

*"Earnout Plan"* shall have the meaning set forth in Section 4.28 hereof.

*"EBITDA"* shall mean earnings before interest expense, income tax expense, depreciation and amortization of the Business for the period in question, as determined by the financial statements of the Seller or Purchaser, as applicable, prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby.

*"Environmental Claims"* shall mean all Claims pursuant to Environmental Laws, including those based on, arising out of or otherwise relating to: (i) the Remediation, presence or Release of, or exposure to, Hazardous Materials or other environmental conditions initiated, existing or occurring prior to the Closing Date at, on, under, above, from, or about any Real Property or any real properties formerly owned, leased or operated by the Seller or any of its predecessors or Affiliates; (ii) the off-site Release, treatment, transportation, storage or

disposal prior to the Closing Date of Hazardous Materials originating from the Seller' s Assets or Business; (iii) any violations of Environmental Laws by the Seller prior to the Closing Date, including reasonable expenditures necessary to cause the Seller to be in compliance with or resolve violations of Environmental Laws.

*"Environmental Laws"* shall mean any Laws (including the Comprehensive Environmental Response, Compensation, and Liability Act), including any plans, other criteria, or guidelines promulgated pursuant to such Laws, now or hereafter in effect relating to the Remediation, generation, production, installation, use, storage, treatment, transportation, Release, threatened Release, or disposal of Hazardous Materials, or noise control, or the protection of human health, safety, natural resources, animal health or welfare, or the environment.

*"Environmental Permits"* shall mean any Permits, licenses, certificates and approvals required under any Environmental Law.

*"ERISA"* shall mean the Employee Retirement Income Security Act of 1974, as amended.

*"ERISA Affiliate"* shall have the meaning set forth in Section 4.16(a) hereof.

*"ERISA Plans"* shall have the meaning set forth in Section 4.16(a) hereof.

*"Escrow Agent"* shall mean Wells Fargo Bank, N.A. or such other Person as determined in accordance with the Escrow Agreement.

*"Escrow Agreement"* shall have the meaning set forth in Section 3.3(d) hereof.



*"Escrow Amount"* shall have the meaning set forth in Section 3.3(d) hereof.

*"Excluded Assets"* shall have the meaning set forth in Section 2.2 hereof.

*"Exhibit"* shall have the meaning set forth in Section 1.2 hereof.

*"Financial Statements"* shall mean the audited consolidated balance sheets and statements of income, changes in shareholders' equity and cash flow as of and for the fiscal years ended December 31, 2003 and December 31, 2004 for the Seller.

*"First Quarter Financial Statements"* shall have the meaning set forth in Section 4.6 hereof.

*"GAAP"* shall mean United States generally accepted accounting principles and practices (including sales being recognized at the time of shipment).

*"Governmental Authority"* shall mean any national, federal, state, local or foreign judicial, legislative, executive or governmental regulatory authority.

*"Hazardous Materials"* shall mean any wastes, substances, radiation, or materials (whether solids, liquids or gases): (i) which are hazardous, toxic, infectious, explosive, radioactive, carcinogenic, or mutagenic; (ii) which are or become defined as "pollutants," "contaminants," "hazardous materials," "hazardous wastes," "hazardous substances," "toxic substances," "radioactive materials," "solid wastes," or other similar designations in, or otherwise subject to regulation under, any Environmental Laws; (iii) the presence of which on the Real Property cause or threaten to cause a nuisance pursuant to applicable statutory or common law upon the Real Property or to adjacent properties; (iv) which contain without limitation polychlorinated biphenyls (PCBs), mold, methyl-tertiary butyl ether (MTBE), asbestos or asbestos-containing materials, lead-based paints, urea-formaldehyde foam insulation, or petroleum or petroleum products (including crude oil or any fraction thereof); or (v) which pose a hazard to human health, safety, natural resources, employees, or the environment.

*"Indebtedness"* of any Person at any date shall mean (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business consistent with past practice and payable in accordance with customary practices) and including earn-out or similar contingent purchase amounts, (b) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (c) all obligations of such Person under any capitalized lease, (d) all obligations of such Person in respect of acceptances issued or created for the account of such Person, (e) all liabilities

secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, and (f) all guarantees by such Person of obligations of others.

*"Independent Contractor"* shall mean those third parties other than attorneys, accountants and financial advisors, providing services to or on behalf of the Seller, that were paid by the Seller at least ten thousand dollars ($10,000) for any applicable year.

*"Instruments of Transfer"* shall have the meaning set forth in Section 2.1(b) hereof.

*"Intellectual Property"* shall mean all intellectual property rights used or available for use in the Business as currently conducted or as currently contemplated by the Seller to be conducted, or in or to which the Seller has any right, title or interest, including all patents and patent applications, together with all reissuances, continuations, continuations-in-part, revisions, extensions and reexaminations thereof; trademarks, trademark registrations and applications, service marks, service mark registrations and applications, trade names, trade dress, logos, designs, proprietary rights, slogans and general intangibles of like nature, together with all goodwill symbolized by or related to the foregoing; copyrights, copyright registrations and applications; mask works and all applications, registrations and renewals in connection therewith; Computer Programs; all domain names and the content contained on



the Seller' s Internet web site(s); product plans, technology, process engineering, drawings, schematic drawings, secret processes, proprietary knowledge, including without limitation, trade secrets, know-how, confidential information and formulae.

*"IRS"* shall mean the Internal Revenue Service of the United States of America.

*"Key Suppliers, Vendors and Customers"* shall have the meaning set forth in Section 4.7 hereof.

*"Knowledge"* with respect to any particular representation or warranty contained in this Agreement, when used to apply to the "Knowledge" of a Shareholder, shall be deemed to be followed by the phrase "after reasonable inquiry of such Shareholders" and, when otherwise used, shall mean the actual knowledge or conscious awareness after due inquiry of the senior officers or individuals performing similar functions of the Person.

*"Laws"* shall mean any federal, state, foreign or local law, statute, ordinance, rule, regulation, order, determination, writ, judgment or decree, administrative order, and administrative or judicial decision.

*"Liabilities"* shall mean debts, liabilities, commitments, obligations, duties and responsibilities of any kind and description, whether absolute, accrued, contingent, monetary or nonmonetary, direct or indirect, known or unknown or matured or unmatured or of any other nature.

*"Licenses"* shall have the meaning set forth in Section 4.15(d) hereof.

*"Liens"* shall mean any lien, pledge, mortgage, deed of trust, security interest, lease, charge, option, right of first refusal, easement, encroachment, reservation, servitude, transfer restriction under any shareholder or similar agreement, order, decree, judgment, condition or any other encumbrance of any nature whatsoever.

*"Litigation"* shall mean any litigation, legal action, arbitration, proceeding, material demand, material claim or investigation pending, or, to the Knowledge of the Seller, threatened, planned or reasonably probable, against, affecting or brought by or against the Shareholders, the Seller, the Seller' s present or former employees or agents affiliated at any time with the Seller relating to the Business or any of the Assets.

*"Material Adverse Effect"* shall mean, with respect to the same or any similar events, acts, conditions or occurrences, whether individually or in the aggregate resulting in, a material adverse effect on or a material adverse change in (a) the Assets, (b) any of the Business, condition (financial or otherwise), operations or liabilities of the Seller, (c) the legality or enforceability against the Seller or the Shareholders of this Agreement or (d) the ability of the Seller and each of the Shareholders to perform its, her or his (as the case may be) obligations and to consummate the transactions under this Agreement. For purposes of clauses (a) and (b) of this definition and without limiting the generality of the foregoing, an effect or change with respect to the same or any similar event(s), act(s), condition(s) or occurrence(s) individually or in the aggregate with respect to which the Seller would reasonably be expected to have $50,000 in the aggregate or more in Damages being asserted against, imposed upon or sustained by the Assets or the Seller or its Business, taken as a whole, shall constitute a "material adverse" effect or change.

"*Material Contracts"* shall have the meaning set forth in Section 4.14(a) hereof.

"*Net Working Capital Balance"* shall have the meaning set forth in Section 3.2(a) hereof.

"*Non-Competition Agreement"* shall have the meaning set forth in Section 3.7(h) hereof.

*"Nondelivered Assets"* shall have the meaning set forth in Section 2.4 hereof.

"*Objection Notice"* shall have the meaning set forth in Section 3.2(b)(ii) hereof.



"*Objection Period"* shall have the meaning set forth in Section 3.2(b)(ii) hereof.

*"Parent"* shall have the meaning set forth in the preamble hereof.

*"Parent and Purchaser Non-Basket Representations"* shall have the meaning set forth in Section 7.3(a)(iii) hereof.

*"Parent's Notice"* shall have the meaning set forth in Section 3.4(e) hereof.

*"PBGC"* shall have the meaning set forth in Section 4.16(d) hereof.

*"Permits"* shall mean as to any Person, all licenses, permits, franchises, orders, approvals, concessions, registrations, authorizations and qualifications under any federal, state, local or foreign laws with any and all Governmental Authorities or with any and all industry or other nongovernmental self-regulatory organizations that are issued to such Person.

*"Person"* shall mean an individual, a corporation, a partnership, limited liability company, an association, a trust or other entity or organization.

*"Plans"* shall have the meaning set forth in Section 4.16(a) hereof.

"*Proposed Purchase Price Adjustment"* shall have the meaning set forth in Section 3.2(b)(i) hereof.

*"Purchase Price"* shall have the meaning set forth in Section 3.1 hereof.

*"Purchaser"* shall have the meaning set forth in the preamble hereof.

*"Purchaser Indemnified Parties"* shall mean Parent, Purchaser and their respective successors, assigns, Affiliates, agents and employees.

*"Purchaser's Indemnification Threshold"* shall have the meaning set forth in Section 7.3(b) hereof.

*"Real Property"* shall have the meaning set forth in Section 4.9(b) hereof.

*"Relatives"* shall mean such person' s spouse, lineal ancestor or descendant, brother or sister.

*"Release"* shall mean any presence, emission, spill, seepage, leak, escape, leaching, discharge, injection, pumping, pouring, emptying, dumping, disposal, migration, or release of Hazardous Materials from any source into or upon the environment, including the air, soil, improvements, surface water, groundwater, sewer, septic system, storm drain, publicly owned treatment works, or waste treatment, storage, or disposal systems.

*"Remediation"* shall mean any investigation, clean-up, removal action, remedial action, restoration, repair, response action, corrective action, monitoring, sampling and analysis, installation, reclamation, closure, or post-closure in connection with the suspected, threatened or actual Release of Hazardous Materials.

*"Required Intellectual Property Consents"* shall have the meaning set forth in Section 4.15(h).

*"Schedule"* and any references to specific items therein shall mean the disclosure schedule delivered by the Shareholders and the Seller to Purchaser contemporaneously with the execution of this Agreement or the disclosure schedule delivered by Purchaser to the Seller contemporaneously with the execution of this Agreement, as the case may be.

*"Seller"* shall have the meaning set forth in the preamble hereof.

*"Seller and Shareholder Non-Basket Representations"* shall have the meaning set forth in Section 7.2(a)(iii) hereof.

*"Seller Indemnified Parties"* shall mean the Shareholders, the Seller and their respective successors, assigns, Affiliates, agents and employees.



*"Seller's Indemnification Threshold"* shall have the meaning set forth in Section 7.2(b) hereof.

*"Shareholder(s)"* shall have the meaning(s) set forth in the preamble hereof.

*"Shareholder Real Estate"* shall have the meaning set forth in Section 2.1(a).

*"Shareholder Real Estate Purchase Price"* shall have the meaning set forth in Section 3.1 hereof.

*"SPD"* shall have the meaning set forth in Section 4.16(b)(iv) hereof.

*"Statement"* shall have the meaning set forth in Section 3.4(e) hereof.

*"Statutory Warranty Deed"* shall mean a statutory warranty deed from the Shareholders or the Seller, as applicable, to Purchaser conveying fee title to the Shareholder Real Estate and to the Real Property owned by the Seller, as contemplated by Section 2.1 of this Agreement, in each case in form and substance reasonably satisfactory to Purchaser.

*"Subsidiary"* shall mean, with respect to any Person, any corporation or other organization, whether incorporated or unincorporated, of which such Person or any other subsidiary of such person beneficially owns a majority of the voting or equity interests.

*"Tax Law"* shall mean any Law relating to Taxes.

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

*"Taxes"* shall mean all taxes (including any income taxes, payroll taxes, capital gains taxes, value-added taxes, excise taxes, sales taxes, property taxes, gift taxes, transfer taxes or estate taxes), levies, assessments, tariffs, duties (including any customs duties), deficiencies, or other fees, and any related charges or amounts (including any fines, penalties, interest, or additions to tax), imposed, assessed, or collected by or under the authority of any Governmental Authority or payable pursuant to any tax-sharing agreement or any other contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency, or fee.

*"Title Policy"* shall mean an ALTA title insurance policy on each parcel of the Shareholders Real Estate and of the owned Real Property of the Seller, each issued to Purchaser by a title company reasonably acceptable to Purchaser, in an amount not less than the fair market value of the applicable parcel, and, in each case, containing such endorsements as Purchaser may reasonably request and issued pursuant to a title commitment or title report reasonably approved and accepted by Purchaser.

*"Transition Services Agreement"* shall have the meaning set forth in Section 3.8(d) hereof.

*"Transition Services and Consulting Agreement"* shall have the meaning set forth in Section 3.8(c) hereof.

*"2005 Baseline EBITDA"* shall have the meaning set forth in Section 3.4(a) hereof.

*"2005 Earnout Amount"* shall have the meaning set forth in Section 3.4(a) hereof.

*"2005 EBITDA"* shall have the meaning set forth in Section 3.4(a) hereof.

*"2005 Target EBITDA"* shall mean FIVE MILLION ONE HUNDRED THOUSAND DOLLARS ($5,100,000).

*"2006 Earnout Amount"* shall have the meaning set forth in Section 3.4(b) hereof.

*"2006 Earnout Cap"* shall have the meaning set forth in Section 3.4(b) hereof.



*"2006 EBITDA"* shall have the meaning set forth in Section 3.4(b) hereof.

*"2006 Statement"* shall have the meaning set forth in Section 3.4(d) hereof

*"2007 Statement"* shall have the meaning set forth in Section 3.4(d) hereof.

"*Verification Period"* shall have the meaning set forth in Section 3.2(b)(i) hereof.

**EXHIBIT 31.1**

## CERTIFICATIONS

I, Ron Sparks, Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Accellent Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and;

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: November 1, 2005

/s/ Ron Sparks

Ron Sparks
Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATIONS**

I, Stewart A. Fisher, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Accellent Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and;

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: November 1, 2005

/s/ Stewart A. Fisher

Stewart A. Fisher
Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Accellent Corp. (the "Company") on Form 10-Q for the quarter ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ron Sparks, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 1, 2005

/s/ Ron Sparks

Ron Sparks
Chief Executive Officer

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Accellent Corp. (the "Company") on Form 10-Q for the quarter ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stewart A. Fisher, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 1, 2005

/s/ Stewart A. Fisher

Stewart A. Fisher
Chief Financial Officer