FORM SC TO-T

Third party tender offer statement

Filing Date: **2001-08-03**
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ZEBRA TECHNOLOGIES CORP/DE

CIK:**877212**| IRS No.: **366966580** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **SC TO-T**
SIC: **3560** General industrial machinery & equipment

Business Address
333 CORPORATE WOODS PKWY
VERNON HILLS IL 60061
7086346700

SUBJECT COMPANY

FARGO ELECTRONICS INC

CIK:**1098834**| IRS No.: **450353190** | Fiscal Year End: **1231**
Type: **SC TO-T** | Act: **34** | File No.: **005-59663** | Film No.: **1697125**
SIC: **7371** Computer programming services

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 3, 2001

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE TO
(Rule 14d-100)
TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

FARGO ELECTRONICS, INC.

(Name of Subject Company (Issuer))

RUSHMORE ACQUISITION CORP.
ZEBRA TECHNOLOGIES CORPORATION

(Names of Filing Persons (Offeror))

COMMON STOCK, PAR VALUE $0.01 PER SHARE

(Title of Class of Securities)

30744P 10 2

(CUSIP Number of Class of Securities)

EDWARD L. KAPLAN
Chairman
Zebra Technologies Corporation
333 Corporate Woods Parkway
Vernon Hills, Illinois 60061
Tel.: (847) 634-6700

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Filing Person)

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CALCULATION OF FILING FEE

TRANSACTION VALUATION*	AMOUNT OF FILING FEE*
$90,403,455	$18,081

*

For the purpose of calculating the filing fee only in accordance with Rule 0-11(d) under the Securities Exchange Act of 1934. This calculation assumes the purchase of all of the issued and outstanding shares of Common Stock, par value $0.01 per share, together with the associated rights to purchase preferred stock (collectively, the "Shares"), of Fargo Electronics, Inc., a Delaware corporation ("Fargo"). The transaction value was calculated by multiplying $7.25, the per Share tender offer price, by 12,469,442, which is the number of currently issued and outstanding Shares plus the maximum number of shares which could be issued prior to the date the tender offer is expected to be consummated upon exercise of stock options granted by Fargo to current and former directors, officers and employees of, and advisors to, Fargo. The amount of the filing fee equals $^{1}/_{50}$ of one percent of the transaction value.

/ / Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:	None	Filing Party:	Not Applicable
Form or Registration No.:	Not Applicable	Date Filed:	Not Applicable

/ / Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

/x/ third-party tender offer subject to Rule 14d-1.
/ / issuer tender offer subject to Rule 13e-4.
/ / going-private transaction subject to Rule 13e-3.
/ / amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer: / /

This Tender Offer Statement on Schedule TO relates to the third-party tender offer by Rushmore Acquisition Corp., a Delaware corporation ("Merger Sub") and a wholly-owned subsidiary of Zebra Technologies Corporation, a Delaware corporation ("Zebra"), to purchase all of the issued and outstanding shares of common stock, par value $0.01 per share (the "Common Stock"), including the associated rights to purchase preferred stock (collectively, the "Shares"), of Fargo Electronics, Inc., a Delaware corporation ("Fargo"), at a purchase price of $7.25 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 3, 2001 (the "Offer to Purchase"), a copy of which is attached hereto as Exhibit 99.1(a)(1)(A), and in the related Letter of Transmittal (the "Letter of Transmittal"), a copy of which is attached hereto as Exhibit 99.1(a)(1)(B) (which, together with the Offer to Purchase, as amended or supplemented from time to time, constitute the "Offer").

The information in the Offer to Purchase, including all schedules and annexes thereto, is hereby expressly incorporated herein by reference in response to Items 1 through 9 and 11 of this Schedule TO.

ITEM 10. Not Applicable.

ITEM 12. EXHIBITS.

99.1(a)(1)(A)	Offer to Purchase, dated August 3, 2001
99.1(a)(1)(B)	Letter of Transmittal
99.1(a)(1)(C)	Notice of Guaranteed Delivery
99.1(a)(1)(D)	Letter from the Information Agent to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees
99.1(a)(1)(E)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees

99.1(a)(1)(F)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9
99.1(a)(1)(G)	Summary Advertisement as published in the *Wall Street Journal* on August 3, 2001
99.1(d)(1)	Acquisition Agreement, dated July 31, 2001, by and among Fargo, Zebra and Merger Sub.
99.1(d)(2)	Confidentiality Agreement, dated July 10, 2001, by and between Zebra and Fargo
99.1(d)(3)	Exclusivity Agreement, dated July 10, 2001, by and between Zebra and Fargo
99.1(d)(4)	Form of Stockholder Agreement, dated as of July 31, 2001, by and between Zebra and each of certain entities affiliated with TA Associates, Inc. and St. Paul Venture Capital, Inc.
99.1(d)(5)	Form of Stockholder Agreement, dated as of July 31, 2001, by and between Zebra and each of Fargo's directors and executive officers

ITEM 13. INFORMATION REQUIRED BY SCHEDULE 13E-3.

Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete, and correct.

ZEBRA TECHNOLOGIES CORPORATION

/s/ EDWARD L. KAPLAN

By: Name: Edward L. Kaplan
Title: *Chairman and Chief Executive Officer*

RUSHMORE ACQUISITION CORP.

/s/ EDWARD L. KAPLAN

By: Name: Edward L. Kaplan
Title: *President*

August 3, 2001

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS TO PURCHASE PREFERRED STOCK)
OF
FARGO ELECTRONICS, INC.
AT
$7.25 NET PER SHARE
BY
RUSHMORE ACQUISITION CORP.
A WHOLLY-OWNED SUBSIDIARY OF
ZEBRA TECHNOLOGIES CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, AUGUST 30, 2001 UNLESS THE OFFER IS EXTENDED.

THIS OFFER IS BEING MADE PURSUANT TO AN ACQUISITION AGREEMENT, DATED AS OF JULY 31, 2001 (THE "ACQUISITION AGREEMENT"), BY AND AMONG FARGO ELECTRONICS, INC. ("FARGO"), ZEBRA TECHNOLOGIES CORPORATION ("ZEBRA") AND RUSHMORE ACQUISITION CORP. ("MERGER SUB"). THE BOARD OF DIRECTORS OF FARGO HAS UNANIMOUSLY (1) DETERMINED THAT THE OFFER (AS DEFINED BELOW) AND THE MERGER (AS DEFINED BELOW) AND THE OTHER TRANSACTIONS CONTEMPLATED IN THE ACQUISITION AGREEMENT ARE ADVISABLE AND ARE FAIR TO AND IN THE BEST INTERESTS OF FARGO AND THE HOLDERS OF SHARES (AS DEFINED BELOW), (2) RECOMMENDED THAT HOLDERS OF SHARES TENDER THEIR SHARES IN THE OFFER AND, IF THE MATTER IS SUBMITTED TO THE FARGO STOCKHOLDERS, APPROVE THE MERGER, AND (3) APPROVED THE ACQUISITION AGREEMENT, THE OFFER AND THE MERGER AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE ACQUISITION AGREEMENT. IN CONNECTION WITH THE ACQUISITION AGREEMENT, ZEBRA HAS ENTERED INTO STOCKHOLDER AGREEMENTS (THE "STOCKHOLDER AGREEMENTS") WITH ALL OF FARGO'S DIRECTORS AND EXECUTIVE OFFICERS AND CERTAIN STOCKHOLDERS OF FARGO WHO COLLECTIVELY OWN APPROXIMATELY 44.7% OF THE OUTSTANDING SHARES, PURSUANT TO WHICH SUCH STOCKHOLDERS HAVE AGREED, AMONG OTHER THINGS, TO TENDER THEIR SHARES IN THE OFFER AT THE OFFER PRICE (AS DEFINED BELOW) AND TO VOTE SUCH SHARES IN THE MANNER SPECIFIED IN THE STOCKHOLDER AGREEMENTS.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED AND NOT PROPERLY WITHDRAWN PRIOR TO THE EXPIRATION DATE THAT NUMBER OF SHARES OF COMMON STOCK, PAR VALUE $0.01 PER SHARE (THE "SHARES"), OF FARGO THAT WOULD CONSTITUTE ON THE DATE OF PURCHASE AT LEAST A MAJORITY OF ALL SHARES THAT ARE OUTSTANDING ON A FULLY- DILUTED BASIS AND (2) ANY APPLICABLE WAITING PERIOD UNDER THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED, HAVING EXPIRED OR BEEN TERMINATED. THE OFFER IS ALSO SUBJECT TO OTHER TERMS AND CONDITIONS. THIS OFFER IS NOT SUBJECT TO A FINANCING CONDITION. SEE SECTIONS 15 AND 16 OF THIS OFFER TO PURCHASE.

IMPORTANT

If you wish to tender all or any portion of your Shares, you must take the steps set forth in either (1) or (2) below prior to the Expiration Date (as defined in Section 1 of this Offer to Purchase):

(1) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal, have your signature thereon guaranteed if required by Instruction 1 to the Letter of Transmittal and mail or deliver the Letter of Transmittal or such facsimile, along with any other required documents, to Mellon Investor Services LLC (the "Depositary"), and either mail or deliver the certificates for your Shares to the Depositary or deliver your Shares pursuant to the procedure for book-entry transfer set forth in Section 2 of this Offer to Purchase; or

(2) request your broker, dealer, bank, trust company or other nominee to effect the transaction for you.

If you have Shares registered in the name of a broker, dealer, bank, trust company or other nominee, you must contact that broker, dealer, bank, trust company or other nominee if you desire to tender your Shares.

If you wish to tender Shares and your certificates for Shares are not immediately available or the procedure for book-entry transfer cannot be completed on a timely basis, or time will not permit all required documents to reach the Depositary prior to the Expiration Date, you may tender your Shares by following the procedure for guaranteed delivery described in Section 2 of this Offer to Purchase.

You should direct questions and requests for assistance or for additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery to Mellon Investor Services LLC (the "Information Agent") at its address and telephone numbers set forth on the back cover of this Offer to Purchase.

August 3, 2001

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SUMMARY TERM SHEET

Rushmore Acquisition Corp. is offering to purchase all of the outstanding shares of common stock of Fargo Electronics, Inc., along with the rights to purchase preferred stock associated with those shares, for $7.25 net per share in cash. The following are some of the questions that you, as a stockholder of Fargo Electronics, Inc., may have and the answers to those questions. We urge you to read carefully the remainder of this offer to purchase and the accompanying letter of transmittal because the information in this summary term sheet is not complete. Additional important information is contained in the remainder of this offer to purchase and the letter of transmittal.

WHO IS OFFERING TO BUY MY SECURITIES?

Zebra Technologies Corporation, a Delaware corporation with securities listed on the Nasdaq National Market, is offering to purchase your securities through Rushmore Acquisition Corp., its wholly-owned subsidiary. Zebra designs, manufactures and supports a broad range of direct thermal and thermal transfer bar code label printers, receipt printers, instant-issuance plastic card printers and secure identification printing systems, related accessories and support software. Rushmore Acquisition Corp. is a Delaware corporation and has carried on no business other than in connection with the acquisition agreement. See the "Introduction" and Section 8.

WHAT ARE THE CLASSES AND AMOUNTS OF SECURITIES SOUGHT IN THE OFFER?

We are offering to purchase all of the outstanding common stock of Fargo Electronics, Inc., along with the rights to purchase preferred stock associated with those shares. See the "Introduction" and Section 1.

HOW MUCH ARE YOU OFFERING TO PAY, WHAT IS THE FORM OF PAYMENT, AND WILL I HAVE TO PAY ANY FEES OR COMMISSIONS?

We are offering to pay $7.25 per share, net to you, in cash. If you are the record owner of your shares and you tender your shares to us in the offer, you will not have to pay brokerage fees or similar expenses. If you own your shares through a broker or other nominee and your broker tenders your shares on your behalf, your broker or nominee may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply. See the "Introduction."

DO YOU HAVE THE FINANCIAL RESOURCES TO MAKE PAYMENT?

Yes. We will fund the offer with our existing cash and investment securities resources. See Section 9.

IS YOUR FINANCIAL CONDITION RELEVANT TO MY DECISION TO TENDER IN THE OFFER?

We do not think our financial condition is relevant to your decision whether to tender in the offer because the form of payment consists solely of cash and all of our funding will come from existing cash and investment securities resources. The offer is not subject to any financing condition. See Section 9.

HOW LONG DO I HAVE TO DECIDE WHETHER TO TENDER IN THE OFFER?

You will have at least until 12:00 Midnight, New York City time, on Thursday, August 30, 2001 to tender your shares in the offer. If you cannot deliver everything that is required to make a valid tender by that time, you may be able to use a guaranteed delivery procedure, which is described later in this offer to purchase. See Section 1 and Section 2.

CAN THE OFFER BE EXTENDED AND UNDER WHAT CIRCUMSTANCES?

Subject to the terms of the acquisition agreement and applicable law, we can extend the offer. We have agreed in the acquisition agreement that we may extend (and re-extend) the offer without Fargo Electronics, Inc.'s consent in the following circumstances:

- if any of the conditions to the offer have not been satisfied or waived at the scheduled expiration date, we may extend (and re-extend) the offer;

- we may also extend the offer for any period required by any rule, regulation, interpretation or position of the SEC or as required by applicable law; and

- in addition, we may elect to provide a "subsequent offering period" for the offer if, at the scheduled or extended expiration of the offer, the conditions to the offer have been satisfied or waived and at least a majority but less than 90% of the shares outstanding on a fully-diluted basis have been properly tendered and not withdrawn. A subsequent offering period, if one is provided, will be an additional period of from three to 20 business days, beginning after we have purchased shares tendered during the offer, during which stockholders may tender, but not withdraw, their shares and receive the offer consideration for those shares promptly after they are tendered. See Section 11.

HOW WILL I BE NOTIFIED IF THE OFFER IS EXTENDED?

If we extend the offer, we will inform Mellon Investor Services LLC, the depositary for the offer, of that fact and will make a public announcement of the extension, not later than 9:00 a.m., New York City time, on the next business day after the day on which the offer was scheduled to expire. See Section 1.

WHAT ARE THE MOST SIGNIFICANT CONDITIONS TO THE OFFER?

- We are not obligated to purchase any shares which are validly tendered unless the number of shares validly tendered and not properly withdrawn before the expiration date of the offer is at least a majority of the shares of Fargo that are then outstanding on a fully-diluted basis.

- We are not obligated to purchase shares which are validly tendered if the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 has not expired or been terminated.

The offer is also subject to a number of other conditions. Subject to the terms of the acquisition agreement, we can waive or change any of the conditions to the offer without the consent of Fargo, except that we cannot decrease the offer price per share or the number of shares we are obligated to purchase, change the form of consideration, increase the number of shares that must be tendered before we are obligated to

purchase any shares, impose additional conditions or make any other significant adverse change in any of the conditions without the prior written approval of Fargo. See Section 15.

HOW DO I TENDER MY SHARES?

To tender shares, you must deliver the certificates representing your shares, together with a completed letter of transmittal, to Mellon Investor Services LLC, the depositary for the offer, not later than the time the tender offer expires. If your shares are held in street name, the shares can be tendered by your nominee through The Depository Trust Company. If you cannot get any document or instrument that is required to be delivered to the depositary by the expiration of the tender offer, you may take some extra time to do so by having a financial institution, including most commercial banks, savings and loan associations and brokerage houses, which is a member in good standing of the

Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program guarantee in a notice of guaranteed delivery that the missing items will be received by the depositary within three Nasdaq Stock Market trading days after the date of the execution of the notice of guaranteed delivery. For the tender to be valid, however, the depositary must receive the missing items within that three trading day period. See Section 2.

UNTIL WHAT TIME CAN I WITHDRAW PREVIOUSLY TENDERED SHARES?

You can withdraw shares at any time until the offer has expired and, if we have not agreed by October 1, 2001 to accept your shares for payment, you can withdraw them at any time after that date until we accept shares for payment. This right to withdraw will not, however, apply to shares tendered during any subsequent offering period discussed in Section 1, unless those shares are not immediately accepted for payment. See Section 3.

HOW DO I WITHDRAW PREVIOUSLY TENDERED SHARES?

To withdraw shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to the depositary while you still have the right to withdraw the shares. See Section 3.

WHAT DOES FARGO'S BOARD OF DIRECTORS THINK OF THE OFFER?

We are making the offer pursuant to the acquisition agreement, which has been approved by the Board of Directors of Fargo. The Board of Directors of Fargo has unanimously (1) determined that the offer and the merger and the other transactions contemplated in the acquisition agreement are advisable and are fair to and in the best interests of Fargo and the holders of shares, (2) recommended that holders of shares tender their shares in the offer and, if the matter is submitted to the Fargo stockholders, approve the merger, and (3) approved the acquisition agreement, the offer and the merger and the other transactions contemplated by the acquisition agreement. See the "Introduction."

HAVE ANY STOCKHOLDERS PREVIOUSLY AGREED TO TENDER THEIR SHARES?

Yes. As an inducement for Zebra and Rushmore Acquisition Corp. to sign the acquisition agreement, all of Fargo's directors and executive officers and certain stockholders of Fargo have agreed to tender their shares, representing approximately 44.7% of the presently outstanding shares of Fargo, on the same terms set forth in this offer to purchase. These stockholders have also agreed to vote in favor of the merger. See Section 11.

IF AT LEAST A MAJORITY OF THE SHARES ARE TENDERED AND ACCEPTED FOR PAYMENT, WILL FARGO CONTINUE AS A PUBLIC COMPANY?

No. Following the purchase of shares in the offer we expect to consummate a merger of Rushmore Acquisition Corp. into Fargo, with Fargo being the surviving corporation. Following the merger, Fargo no longer will be publicly owned. Even if for some reason the merger does not take place, if we purchase all of the tendered shares, there may be so few remaining stockholders and publicly held shares that there may not

be a public trading market for Fargo stock, and Fargo may cease making filings with the SEC or otherwise cease being required to comply with SEC rules relating to publicly held companies. See Section 13.

WILL THE TENDER OFFER BE FOLLOWED BY A MERGER IF ALL FARGO SHARES ARE NOT TENDERED IN THE OFFER?

Yes. If we accept for payment and pay for at least a majority of the outstanding shares of Fargo, Rushmore Acquisition Corp. will be merged into Fargo. If that merger takes place, all remaining stockholders of Fargo (other than us, Fargo, our subsidiaries and stockholders properly exercising appraisal rights as discussed below) will receive $7.25, or any higher price that may be paid for each share pursuant to the offer, in cash. See the "Introduction" and Section 11.

IF I DECIDE NOT TO TENDER, HOW WILL THE OFFER AFFECT MY SHARES?

If the merger described above takes place, stockholders not tendering in the offer will receive in the merger the same amount of cash per share that they would have received had they tendered their shares in the offer, subject to the stockholders' properly exercising their appraisal rights under Delaware law. Therefore, if the merger takes place, the only difference to you between tendering your shares and not tendering your shares is that you will be paid earlier and will not have appraisal rights if you tender your shares. However, if for some reason the merger does not take place, the number of stockholders of Fargo and the number of shares of Fargo which are still in the hands of the public may be so small that there no longer will be an active public trading market (or, possibly, there may not be any public trading market) for Fargo common stock. Also, as described above, Fargo may cease making filings with the SEC or otherwise being required to comply with the SEC rules relating to publicly held companies. See the "Introduction" and Section 13.

WHAT IS THE MARKET VALUE OF THE SHARES AS OF A RECENT DATE?

On July 30, 2001, the last trading day before we announced the tender offer and the expected subsequent merger, the closing price of Fargo common stock reported on the Nasdaq National Market was $5.48 per share. The $7.25 per share to be paid by Zebra represents a premium of approximately 32% over the closing price of Fargo common stock on such date and a premium of approximately 60% over the average closing price of Fargo common stock during the previous 60 days. On August 2, 2001, the last trading day before we commenced the tender offer, the closing price of Fargo common stock reported on Nasdaq was $7.19 per share. We advise you to obtain a recent quotation for shares of Fargo common stock before deciding whether to tender your shares. See Section 6.

WHO CAN I TALK TO IF I HAVE QUESTIONS ABOUT THE TENDER OFFER?

You can call Mellon Investor Services LLC at (800) 261-8056 (toll free). Mellon Investor Services LLC is acting as the information agent for our tender offer. See the back cover of this offer to purchase.

To the Holders of Common Stock of
Fargo Electronics, Inc.

INTRODUCTION

Rushmore Acquisition Corp. ("Merger Sub"), a Delaware corporation and a wholly-owned subsidiary of Zebra Technologies Corporation, a Delaware corporation ("Zebra"), hereby offers to purchase all outstanding shares of common stock, par value $0.01 per share (the "Common Stock"), of Fargo Electronics, Inc., a Delaware corporation (the "Fargo"), and the associated rights to purchase preferred stock (the "Rights") issued pursuant to a Rights Agreement, dated as of February 9, 2000 (the "Rights Agreement"), between Fargo and Wells Fargo Bank

Minnesota, National Association, as rights agent (the "Rights Agent") (the shares of Common Stock, and any associated Rights, are referred to as the "Shares"), at a price of $7.25 per Share, net to each seller in cash (the "Offer Price"), without interest, upon the terms and subject to the conditions set forth in this Offer to Purchase and the related Letter of Transmittal (which, together with any amendments or supplements hereto or thereto, collectively constitute the "Offer").

Stockholders of record who hold Shares registered in their own name and tender their Shares directly to the Depositary (as defined below) will not be obligated to pay brokerage fees, commissions, solicitation fees or, subject to Instruction 5 of the Letter of Transmittal, stock transfer taxes, if any, on the purchase of Shares by Merger Sub pursuant to the Offer. Stockholders who hold their Shares through a bank, broker or other nominee should check with such institution as to whether they will be charged any service fees. However, any tendering stockholder or other payee who fails to complete and sign the Substitute Form W-9 that is included in the Letter of Transmittal may be subject to a required federal backup withholding tax of 31% (or 30.5% for payment made after August 6, 2001) of the gross proceeds payable to such stockholder or other payee pursuant to the Offer. See Section 2. Merger Sub will pay all charges and expenses of Mellon Investor Services LLC, as Information Agent (the "Information Agent") and as Depositary (the "Depositary"), and of U.S. Bancorp Piper Jaffray, as Dealer Manager (the "Dealer Manager"), incurred in connection with the Offer. See Section 17.

The Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn prior to the expiration date of the Offer that number of Shares representing at least a majority of the Shares outstanding on a fully-diluted basis (i.e., after giving effect to the conversion or exercise of all outstanding options, warrants or similar rights with respect to the Shares) (the "Minimum Condition") and (ii) the expiration or termination of any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"). The Offer is also subject to other terms and conditions. The Offer is not subject to a financing condition. See Section 15.

The Offer is being made pursuant to an Acquisition Agreement, dated as of July 31, 2001 (the "Acquisition Agreement"), by and among Zebra, Merger Sub and Fargo. The Acquisition Agreement provides, among other things, that, upon the terms and subject to the conditions therein, at the Effective Time (as defined below), Merger Sub will be merged with and into Fargo (the "Merger") and the separate corporate existence of Merger Sub will cease, with Fargo being the surviving corporation (the "Surviving Corporation"). At the effective time of the Merger (the "Effective Time"), each outstanding Share will be converted into and represent the right to receive the Offer Price, without interest, except for (i) Shares held by Fargo, Zebra, Merger Sub or any of their respective subsidiaries immediately before the Effective Time (all of which will be canceled) and (ii) Shares with respect to which appraisal rights have been properly exercised and perfected ("Dissenting Shares") under the General Corporation Law of the State of Delaware (the "DGCL"). Holders of Shares who demand and fully perfect appraisal rights under the DGCL will be entitled to receive, in connection with the Merger, cash for the fair value of their Shares as determined pursuant to the procedures prescribed by Delaware law. See Section 11.

In connection with the Acquisition Agreement, Zebra has entered into Stockholder Agreements (the "Stockholder Agreements") with all of Fargo's directors and executive officers and certain stockholders of Fargo who collectively own approximately 44.7% of the outstanding Shares, pursuant to which such stockholders have agreed, among other things, to tender their Shares in the Offer at the Offer Price and to vote such Shares in the manner specified in the Stockholder Agreements. See Section 11.

The Board of Directors of Fargo (the "Fargo Board") has (1) determined that the Offer and the Merger and the other transactions contemplated in the Acquisition Agreement are advisable and are fair to and in the best interests of Fargo and the holders of Shares, (2) recommended that holders of Shares tender their Shares in the Offer and, if the matter is submitted to the Fargo stockholders, approve the Merger, and (3) approved the Acquisition Agreement, the Offer and the Merger and the other transactions contemplated by the Acquisition Agreement.

Raymond James & Associates, Inc., Fargo's financial advisor in connection with the transaction, delivered an opinion to Fargo to the effect that, as of July 31, 2001, the $7.25 per Share in cash to be received by Fargo stockholders in the Offer and the Merger was fair to such stockholders from a financial point of view.

Fargo has represented to Zebra that, as of August 2, 2001, there were outstanding 11,756,544 Shares and options to acquire 1,201,273 Shares (or 12,957,817 Shares on a fully-diluted basis). Except as otherwise set forth in Section 8, neither Zebra, Merger Sub nor any person listed on Schedule I hereto beneficially owns any Shares. Accordingly, the Minimum Condition will be satisfied if 6,478,909 Shares are tendered in the Offer, assuming no other Shares or securities convertible into, or exercisable for, Shares are issued prior to the consummation of the Offer. The Acquisition Agreement provides that each option to purchase Shares that is outstanding as of the Effective Time, that is, or would be vested and exercisable in whole or in part as of the Effective Time will be terminated and canceled immediately prior to the Effective Time and all holders of such options will receive an amount in cash, without interest, equal to the product of (i) the number of Shares with respect to which such option is or will be vested and exercisable as of the Effective Time multiplied by (ii) the excess of the Offer Price over the exercise price per Share of such option. Members of the Fargo Board will collectively receive in respect of options to purchase Shares held by them an aggregate of approximately $220,250 (of this amount, Michael C. Child is entitled to receive approximately $16,625, Everett V. Cox is entitled to receive approximately $16,625, William H. Gibbs is entitled to receive approximately $54,469, Kent O. Lillimoe is entitled to receive approximately $84,125 and Elaine A. Pullen is entitled to receive approximately $48,406).

The Acquisition Agreement provides that, promptly following the acceptance for payment by Merger Sub of, and as long as Merger Sub owns, at least a majority of the aggregate outstanding Shares pursuant to the Offer, Zebra shall be entitled to designate the number of directors, rounded up to the next whole number, on the Fargo Board that equals the product of (i) the total number of directors on the Fargo Board (giving effect to the election of any additional directors pursuant to the Acquisition Agreement) and (ii) the percentage that the number of Shares owned by Zebra or Merger Sub bears to the total number of outstanding Shares, and Fargo shall use its reasonable efforts to cause Zebra's designees to be elected to the Fargo Board, including, without limitation, increasing the number of directors or seeking and accepting resignations of incumbent directors, or both. At such times, Fargo will use its reasonable efforts to cause individual directors designated by Zebra to constitute the same percentage as the number of Zebra's designees to the Fargo Board bears to the total number of directors on the Fargo Board on each committee of the Fargo Board. See Section 11. The designation of directors by Zebra is subject to compliance with the requirements of Section 14(f) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Fargo has taken all requisite action under the Rights Agreement to cause the provisions of the Rights Agreement not to be applicable to the Acquisition Agreement, the Offer, the Merger, Zebra and Merger Sub's beneficial ownership of Shares and the other transactions contemplated by the Acquisition Agreement or by any other agreements entered into by Zebra and Merger Sub in connection therewith, including, without limitation, causing the Offer to constitute a Permitted Offer (as defined in the Rights Agreement).

The information contained herein concerning or attributed to Fargo and its officers and directors has been supplied by Fargo, and all other information contained herein has been supplied by Zebra and Merger Sub. Although neither Fargo nor Zebra or Merger Sub have any knowledge that would indicate that any statements contained herein based on the information provided by the other are untrue, neither Fargo nor Zebra or Merger Sub take any responsibility for the accuracy or completeness of any information provided by the other or for any failure by the other to disclose events that may have occurred and may affect the significance or accuracy of such information but which are unknown to Fargo or Zebra and Merger Sub, respectively.

This Offer to Purchase and the related Letter of Transmittal contain important information and you should read them in their entirety before making any decision with respect to the Offer.

THE TENDER OFFER

1. TERMS OF THE OFFER

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Merger Sub will accept for payment and pay for all Shares which are validly tendered and not withdrawn on or prior to the Expiration Date, as soon as practicable after the Expiration Date. The term "Expiration Date" means 12:00 Midnight, New York City time, on Thursday, August 30, 2001, unless and until Merger Sub (subject to the terms and conditions of the Acquisition Agreement) shall have extended the period of time for which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by Merger Sub, shall expire prior to the purchase of any Shares by Merger Sub.

Merger Sub shall not be required to accept for payment or, subject to any applicable rules and regulations of the Securities and Exchange Commission (the "SEC"), including Rule 14e-1(c) under the Exchange Act, pay for any Shares tendered pursuant to the Offer, and may postpone the acceptance for payment or, subject to the restriction referred to above, payment for any Shares tendered pursuant to the Offer, and may terminate or amend the Offer (whether or not any Shares have theretofore been purchased or paid for pursuant to the Offer) and not accept for payment any Shares, if the Minimum Condition and the other conditions set forth in Section 15 (collectively, the "Offer Conditions") are not satisfied. Subject to the provisions of the Acquisition Agreement and applicable law, Merger Sub expressly reserves the right to waive, in whole or in part at any time or from time to time, any such condition, to increase the price per Share payable in the Offer, to make any other changes in the terms and conditions of the Offer; provided that, unless previously approved by Fargo in writing, no change may be made that decreases the Offer Price or the maximum number of Shares to be purchased in the Offer, changes the form of consideration, increases the number of Shares that must be tendered before Merger Sub is obligated to purchase any Shares, imposes additional conditions or makes any other significant adverse change in any of the Offer Conditions.

If all Offer Conditions are not satisfied on the initial Expiration Date of the Offer, subject to the terms of the Acquisition Agreement, Merger Sub may extend the Offer to provide additional time to satisfy the conditions for one or more additional periods of not more than ten business days (or such longer period as may be approved by Fargo).

Merger Sub also may, without the consent of Fargo, following the Expiration Date, provide for a subsequent offering period in accordance with Rule 14d-11 under the Exchange Act (a "Subsequent Offering Period"). Notwithstanding the foregoing, Merger Sub may, without the consent of Fargo, extend the Offer for any period required by any rule, regulation, interpretation or position of the SEC applicable to the Offer or otherwise required by applicable law.

A Subsequent Offering Period is an additional period of time from three to 20 business days in length, beginning after Merger Sub purchases Shares tendered in the Offer, during which time stockholders may tender, but not withdraw, their Shares and receive the Offer Price. Rule 14d-11 provides that Merger Sub may include a Subsequent Offering Period so long as, among other things, (i) the Offer remained open for a minimum of 20 business days and has expired, (ii) all conditions to the Offer are deemed satisfied or waived by Merger Sub on or before the Expiration Date, (iii) Merger Sub accepts and promptly pays for all Shares tendered during the Offer prior to the Expiration Date, (iv) Merger Sub announces the results of the Offer, including the approximate number and percentage of Shares desposited in the Offer, no later than 9:00 a.m., Eastern time, on the next business day after the Expiration Date and, in such announcement, Merger Sub announces and immediately begins the Subsequent Offering Period, and (v) Merger Sub immediately accepts and promptly pays for Shares as they are tendered during the Subsequent Offering Period. In the event Merger Sub elects to include a Subsequent Offering Period, it will notify stockholders of Fargo consistent with the requirements of the

SEC. Pursuant to Rule 14d-7 under the Exchange Act, no withdrawal rights apply to Shares tendered during a Subsequent Offering Period, and no withdrawal rights apply during the Subsequent Offering Period with respect to Shares tendered in the Offer and accepted for payment.

Any extension, delay, termination or amendment of the Offer will be followed as promptly as practicable by public announcement thereof, which in the case of an extension will be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date, in accordance with the public announcement requirements of Rule 14e-1(d) under the Exchange Act. Subject to applicable law (including Rules 14d-4(d) and 14d-6(c) under the Exchange Act, which require that any material change in the information published, sent or given to stockholders in connection with the Offer be promptly disseminated to stockholders in a manner reasonably designed to inform stockholders of such change), and without limiting the manner in which Merger Sub may choose to make any public

announcement, Merger Sub will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service.

If Merger Sub makes a material change in the terms of the Offer or the information concerning the Offer, or if it waives a material condition of the Offer, Merger Sub will disseminate additional tender offer materials (including by public announcement as set forth above) and extend the Offer to the extent required by Rules 14d-4(d) and 14e-1 under the Exchange Act. The minimum period during which the Offer must remain open following material changes in the terms of the Offer, other than a change in price, percentage of securities sought or inclusion of or change to a dealer's soliciting fee, will depend upon the facts and circumstances, including the materiality, of the changes. In the SEC's view, an offer should remain open for a minimum of five (5) business days from the date the material change is first published, sent or given to stockholders, and, if material changes are made with respect to information that approaches the significance of price and share levels, a minimum of ten (10) business days may be required to allow for adequate dissemination and investor response. With respect to a change in price or, subject to certain limitations, a change in the percentage of securities sought or inclusion of or change to a dealer's soliciting fee, a minimum ten (10) business day period from the date of the change is generally required to allow for adequate dissemination to stockholders. Accordingly, if, before the Expiration Date, Merger Sub decreases the number of Shares being sought or increases or decreases the consideration offered pursuant to the Offer, and if the Offer is scheduled to expire at any time earlier than the tenth (10th) business day from the date that notice of the increase or decrease is first published, sent or given to stockholders, the Offer will be extended at least until the expiration of that tenth (10th) business day. For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or a U.S. federal holiday and consists of the time period from 12:01 a.m. through 12:00 Midnight, New York City time.

In connection with the Offer, Fargo has provided Merger Sub with the names and addresses of all record holders of Shares and security position listings of Shares held in stock depositories. This Offer to Purchase, the related Letter of Transmittal and other relevant materials will be mailed to registered holders of Shares and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

2. PROCEDURE FOR ACCEPTING THE OFFER AND TENDERING SHARES.

Valid Tender of Securities. Except as set forth below, for Shares to be validly tendered pursuant to the Offer, the Letter of Transmittal (or a facsimile of it), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message (as defined below) in connection with a book-entry transfer of Shares, and any other documents required by the Letter of

Transmittal, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase on or before the Expiration Date, and either

(a) certificates representing tendered Shares must be received by the Depositary, or Shares must be tendered pursuant to the procedure for book-entry transfer set forth below (and confirmation of receipt of delivery must be received by the Depositary), in each case on or before the Expiration Date; or

(b) the guaranteed delivery procedures set forth below must be complied with.

No alternative, conditional or contingent tenders will be accepted. The method of delivery of all documents, including certificates for Shares, is at the option and risk of the tendering stockholder, and the delivery will be deemed made only when actually received by the Depositary. If delivery is by mail, registered mail with return receipt requested, property insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal

(a)

if the Letter of Transmittal is signed by the registered holder of the Shares tendered with the Letter of Transmittal, unless the holder has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" in the Letter of Transmittal; or

(b)

if Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a member in good standing of the Security Transfer Agent's Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (each referred to as an "Eligible Institution").

See Instruction 1 of the Letter of Transmittal.

If a certificate representing Shares is registered in the name of a person other than the signatory of the Letter of Transmittal, or if payment is to be made, or Shares not accepted for payment or not tendered are to be returned to a person other than the registered holder, the certificate must be endorsed or accompanied by an appropriate stock power, in either case signed exactly as the name(s) of the registered holder(s) appears on the certificate, with the signature(s) on the certificate or stock power guaranteed by an Eligible Institution. If the Letter of Transmittal or stock power is signed or any certificate is endorsed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and, unless waived by Merger Sub, proper evidence satisfactory to Merger Sub of their authority to act must be submitted. See Instruction 5 of the Letter of Transmittal.

Book-Entry Transfer. The Depositary will establish accounts with respect to the Shares at The Depository Trust Company ("DTC") for purposes of the Offer within two (2) business days after the date of this Offer to Purchase, and any financial institution that is a participant in DTC's system may make book-entry delivery of the Shares by causing DTC to transfer Shares into the Depositary's account in accordance with DTC's procedure for such transfers. Although delivery of Shares may be effected through book-entry transfer at DTC, a properly completed and duly executed Letter of Transmittal (or facsimile of it), with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer of Shares, and any other required documents, must, in any case, be transmitted to and received by the Depositary at one (1) of its addresses set forth on the back cover of this Offer to Purchase before the Expiration Date, or the guaranteed delivery procedures described below must be complied with. The term "Agent's Message" means a message transmitted through electronic means by DTC to, and received by, the Depositary and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the participant in

DTC tendering the Shares that the participant has received, and agrees to be bound by, the terms of the Letter of Transmittal. Delivery of documents to DTC in accordance with DTC's procedures does not constitute delivery to the Depositary.

Guaranteed Delivery. If a stockholder desires to tender Shares pursuant to the Offer and the stockholder's certificates representing Shares are not immediately available (or the procedures for book-entry transfer cannot be completed on a timely basis) or time will not permit all required documents to reach the Depositary before the Expiration Date, the Shares may nevertheless be tendered, provided that all of the following conditions are satisfied:

(a)

the tender is made by or through an Eligible Institution;

(b)

the Depositary receives, before the Expiration Date, a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Merger Sub; and

(c)

the certificates representing all tendered Shares in proper form for transfer (or confirmation of a book-entry transfer of such Shares into the Depositary's account at DTC), together with a properly completed and duly executed Letter of Transmittal (or facsimile of it) with any required signature guarantees (or, in connection with a book-entry transfer, an Agent's Message) and any other documents required by the Letter of Transmittal are received by the Depositary within three (3) Nasdaq Stock Market trading days after the date of the Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand, or may be transmitted by facsimile transmission or mail, to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of

(a)

certificates representing the Shares (or timely confirmation of a book-entry transfer of the Shares into the Depositary's account at DTC);

(b)

properly completed and duly executed Letter(s) of Transmittal (or facsimile(s) of it or them), together with any required signature guarantees (or, in connection with a book-entry transfer, an Agent's Message); and

(c)

any other documents required by the Letter of Transmittal.

Accordingly, tendering stockholders may be paid at different times depending on when certificates representing Shares or confirmations of book-entry transfers of Shares are actually received by the Depositary.

Determination of Validity. All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tendered Shares will be determined by Merger Sub in its sole discretion, and its determination shall be final and binding on all parties. Merger Sub reserves the absolute right to reject any or all tenders of any Shares that it determines are not in appropriate form or the acceptance for payment of or payment for which may, in the opinion of Merger Sub's counsel, be unlawful. Merger Sub also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in any tender with respect to any particular Shares or any particular stockholder, and Merger Sub's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the Instructions to the Letter of Transmittal) will be final and binding on all parties. No tender of Shares will be deemed to have been validly made until all defects or irregularities relating to the tender have been expressly waived or cured to the satisfaction of Merger Sub. None of Merger Sub, Zebra, the Depositary, the Information Agent or any other person will be

under any duty to give notification of any defects or irregularities in tenders, nor shall any of them incur any liability for failure to give any notification.

Appointment as Proxy. By executing the Letter of Transmittal, a tendering stockholder irrevocably appoints designees of Merger Sub as the stockholder's proxies, in the manner set forth in the Letter of Transmittal, each with full power of substitution, to the full extent of the

stockholder's rights with respect to the Shares tendered by the stockholder and accepted for payment by Merger Sub, effective if, when and to the extent that Merger Sub accepts the Shares for payment pursuant to the Offer. Upon the acceptance for payment, all prior proxies given by the stockholder with respect to the Shares or other securities accepted for payment will, without further action, be revoked, and no subsequent proxies may be given by the stockholder nor any subsequent written consents executed (and, if given or executed, will not be deemed effective). The designees of Merger Sub will, with respect to the Shares and other securities or rights issuable in respect of the Shares, be empowered to exercise all voting and other rights of the stockholder as they, in their sole discretion, may deem proper in respect of any annual, special or adjourned meeting of Fargo's stockholders, action by written consent in lieu of a meeting or otherwise. Merger Sub reserves the right to require that, for Shares to be deemed validly tendered, immediately upon Merger Sub's acceptance for payment of the Shares, Merger Sub must be able to exercise full voting rights with respect to the Shares.

Binding Agreement. A tender of Shares pursuant to any of the procedures described above will constitute the tendering stockholder's acceptance of the terms and conditions of the Offer, as well as the tendering stockholder's representation and warranty to Merger Sub that (i) such stockholder has the full power and authority to tender, sell, assign and transfer the tendered Shares (and any and all other Shares or other securities issued or issuable in respect of such Shares) and (ii) when the same are accepted for payment by Merger Sub, Merger Sub will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claims.

Merger Sub's acceptance for payment of Shares tendered pursuant to any of the procedures described above will constitute a binding agreement between the tendering stockholder and Merger Sub upon the terms and subject to the conditions of the Offer.

Backup Federal Income Tax Withholding. To prevent backup withholding of federal income tax on payments made to stockholders with respect to Shares purchased pursuant to the Offer, each stockholder must provide the Depositary with its, his or her correct taxpayer identification number ("TIN") and certify that it, he or she is not subject to backup withholding of federal income tax by completing the Substitute Form W-9 included in the Letter of Transmittal. Non-United States holders must submit a completed Form W-8 to avoid backup withholding. This form may be obtained from the Depositary. See Instructions 10 and 11 of the Letter of Transmittal.

3. WITHDRAWAL RIGHTS.

Tenders of Shares made pursuant to the Offer will be irrevocable, except that Shares tendered may be withdrawn at any time before the Expiration Date and, unless theretofore accepted for payment and paid for by Merger Sub pursuant to the Offer, may also be withdrawn at any time after October 1, 2001. If Merger Sub extends the Offer, is delayed in its acceptance for payment of any Shares tendered, or is unable to accept for payment or pay for Shares tendered pursuant to the Offer, for any reason, then, without prejudice to Merger Sub's rights set forth in this Offer to Purchase, the Depositary may, on behalf of Merger Sub, retain tendered Shares, and those Shares may not be withdrawn except to the extent that the tendering stockholder is entitled to and duly exercises withdrawal rights as described in this Section and as otherwise required by Rule 14e-1(c) under the Exchange Act. Any delay will be accompanied by an extension of the Offer to the extent required by law. If Merger Sub decides to include a Subsequent Offering Period, Shares tendered during the

Subsequent Offering Period may not be withdrawn and no withdrawal rights apply during the Subsequent Offering Period with respect to Shares tendered in the Offer and accepted for payment.

For a withdrawal of Shares tendered to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the Depositary at one (1) of its addresses set forth on the back cover of this Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name(s) in which the certificate(s) representing the Shares is/are registered, if different from that of the person who tendered the Shares. If certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depositary, the name of the registered holder and the serial numbers shown on the particular certificates evidencing the Shares to be withdrawn must also be furnished to the Depositary before the physical release of the Shares to be withdrawn. The signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (except in the case of Shares tendered by an Eligible Institution). If Shares have been tendered pursuant to the procedures for book-entry transfer set forth in Section 2 of this Offer

to Purchase, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Shares and must otherwise comply with DTC's procedures.

Withdrawals of tenders of Shares may not be rescinded and Shares properly withdrawn will be deemed not validly tendered for purposes of the Offer. Withdrawn Shares, however, may be retendered at any time before the Expiration Date (or during Subsequent Offering Period, if any) by again following the procedures described in Section 2 of this Offer to Purchase (except Shares may not be retendered using the procedures for guaranteed delivery during any Subsequent Offering Period).

All questions as to the form and validity, including time of receipt, of notices of withdrawal will be determined by Merger Sub, in its sole discretion, and its determination will be final and binding on all parties. None of Merger Sub, Zebra, the Depositary, the Information Agent, the Dealer Manager or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal, nor shall any of them incur any liability for failure to give any such notification.

4. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Merger Sub will accept promptly for payment and will pay for all Shares validly tendered before the Expiration Date (and not properly withdrawn in accordance with Section 3 of this Offer to Purchase) promptly after the Expiration Date. If Merger Sub desires to include a Subsequent Offering Period, Merger Sub will accept for payment, and promptly pay for, all validly tendered Shares as they are received during the Subsequent Offering Period.

Any determination concerning the satisfaction of the terms and conditions of the Offer shall be within the sole discretion of Merger Sub, and that determination shall be final and binding on all tendering stockholders. See Section 15 of this Offer to Purchase.

Subject to applicable rules and regulations of the SEC and the terms of the Acquisition Agreement, Merger Sub expressly reserves the right to delay acceptance for payment of, or payment for, Shares in order to comply in whole or in part with any applicable law. If Merger Sub desires to delay payment for Shares accepted for payment pursuant to the Offer, and the delay would otherwise be in contravention of Rule 14e-1(c) of the Exchange Act, Merger Sub will formally extend the Offer. See Section 15 of this Offer to Purchase. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of

(a)

certificates representing the Shares (or a timely confirmation of a book-entry transfer of the Shares into the Depositary's account at DTC, as described in Section 2 of this Offer to Purchase),

(b)

a properly completed and duly executed Letter of Transmittal (or facsimile of it) with any required signature guarantees (or, in connection with a book-entry transfer, an Agent's Message), and

(c)

any other documents required by the Letter of Transmittal.

For purposes of the Offer, Merger Sub will be deemed to have accepted for payment, and by doing so purchased, tendered Shares when and if Merger Sub gives oral or written notice to the Depositary, as agent for the tendering stockholders, of Merger Sub's acceptance for payment of the Shares. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment will be made by the deposit of the purchase price for the Shares with the Depositary, which will act as agent for the tendering stockholders for the purpose of receiving the payment from Merger Sub and transmitting the payment to tendering stockholders. If, for any reason, acceptance for payment of any Shares tendered pursuant to the Offer is delayed, or Merger Sub is unable to accept for payment Shares tendered pursuant to the Offer, then, without prejudice to Merger Sub's rights under Section 1 of this Offer to Purchase, the Depositary may, on behalf of Merger Sub, retain tendered

Shares, and those Shares may not be withdrawn, except to the extent that the tendering stockholders are entitled to withdrawal rights as described in Section 3 of this Offer to Purchase and as otherwise required by Rule 14e-1(c) under the Exchange Act. Under no circumstances will interest be paid on the purchase price by reason of any delay in making those payments. The ability of Merger Sub to delay the payment for Shares which Merger Sub has accepted for payment is limited by Rule 14e-1(c) under the Exchange Act, which requires that a bidder pay the consideration offered or return the securities deposited by or on behalf of holders of securities promptly after the termination or withdrawal of the Offer.

If any tendered Shares are not accepted for payment and paid for, certificates representing those Shares will be returned (or, in the case of Shares delivered by book-entry transfer with DTC as permitted by Section 2 of this Offer to Purchase, those Shares will be credited to an account maintained with DTC) without expense to the tendering stockholder as promptly as practicable following the expiration or termination of the Offer.

If, before the Expiration Date, Merger Sub increases the consideration to be paid for Shares pursuant to the Offer, Merger Sub will pay the increased consideration for all Shares accepted for payment pursuant to the Offer, whether or not such Shares have been tendered or accepted for payment before the increase in the consideration.

Merger Sub reserves the right, with the consent of Fargo, to transfer or assign in whole or in part to one or more affiliates of Merger Sub or Zebra the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any transfer or assignment will not relieve Merger Sub of its obligations under the Offer and will in no way prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

5. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES.

The receipt of cash for Shares pursuant to the Offer (or in the Merger) will be a taxable transaction for United States federal income tax purposes (and may also be a taxable transaction under applicable state, local or other tax laws). In general, a stockholder will recognize gain or loss for such purposes equal to the difference between the amount of cash received and the stockholder's adjusted tax basis in the Shares. Gain or loss must be determined separately for each block of Shares (i.e., Shares acquired at the same cost in a single transaction) sold pursuant to the Offer or converted to

cash in the Merger. The gain or loss will be capital gain or loss if the Shares are a capital asset in the hands of the stockholder and will be long term capital gain or loss if the Shares were held for more than one (1) year on the date of sale (in the case of the Offer) or the effective time of the Merger (in the case of the Merger). Certain limitations apply to the use or deductibility of a stockholder's capital losses. The receipt of cash for Shares pursuant to the exercise of appraisal rights, if any, will generally be taxed in the same manner as described above.

Payments in connection with the Offer or the Merger may be subject to "backup withholding" at a rate of 31% (or 30.5% for payments made after August 6, 2001). Backup withholding generally applies if a stockholder (a) fails to furnish such stockholder's TIN, (b) furnishes an incorrect TIN or (c) under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the TIN provided is such stockholder's correct number and that such stockholder is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons, including corporations, non-United States persons and financial institutions, generally are exempt from backup withholding, provided they properly establish their status when required to do so by completing and providing the appropriate IRS forms. Certain penalties apply for failure to furnish correct information and for failure to include reportable payments in income. Each stockholder should consult with its, his or her own tax advisor as to such stockholder's qualification for exemption from backup withholding and the procedure for obtaining such exemption. Tendering stockholders may be able to prevent backup withholding by properly completing the Substitute Form W-9 included in the Letter of Transmittal.

The discussion above may not be applicable to a stockholder that acquired Shares pursuant to the exercise of employee stock options or otherwise as compensation, to a stockholder that is related to Merger Sub for purposes of Section 302 of the Internal Revenue Code of 1986, as amended, or to a stockholder who is not a United States person or who is otherwise subject to special tax treatment under the Internal

Revenue Code (for example, brokers, dealers in securities, banks, insurance companies, tax-exempt organizations and financial institutions). For these purposes, a United States person means a person who or which is (i) an individual who is a citizen or resident of the United States for United States federal income tax purposes, (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to United States federal income tax regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one (1) or more United States persons have the authority to control all substantial decisions of the trust. In addition, the discussion above does not address the tax treatment of holders of options to acquire Shares.

The United States federal income tax discussion set forth above is included for general information only, does not address all federal income tax consequences of the Offer and the Merger or any foreign, state or local laws and is based upon present law which is subject to change, possibly with a retroactive effect. Stockholders are urged to consult their tax advisors with respect to the specific tax consequences of the Offer and the Merger to them, including the application and effect of the alternative minimum tax, and state, local or non-United States income and other tax laws.

6. PRICE RANGE OF SHARES; DIVIDENDS.

The Common Stock is listed and traded on The Nasdaq National Market ("Nasdaq") under the symbol "FRGO." The Rights trade together with the Common Stock. The following table sets forth, for the periods indicated, the high and low sales prices for the Shares on Nasdaq as reported by published financial sources. Fargo has never paid cash dividends on the Shares, and the Acquisition

Agreement prohibits Fargo from declaring or paying any cash dividends before the termination of the Acquisition Agreement.

	High	Low
Fiscal Year Ended December 31, 2000		
First Quarter (beginning February 10, 2000)	$ 17.7500	$ 10.7500
Second Quarter	$ 12.1250	$ 2.5000
Third Quarter	$ 9.5000	$ 3.5000
Fourth Quarter	$ 6.3125	$ 1.4686
Fiscal Year Ended December 31, 2001		
First Quarter	$ 5.2500	$ 2.0625
Second Quarter	$ 4.9844	$ 2.0313
Third Quarter (through August 2, 2001)	$ 7.1900	$ 4.1000

On July 30, 2001, the last full trading day before the public announcement of the execution of the Acquisition Agreement, the closing price per Share reported on Nasdaq was $5.48. On August 2, 2001, the last full trading day before the commencement of the Offer, the closing price per Share reported on Nasdaq was $7.19.

Stockholders are urged to obtain a current market quotation for the Shares before deciding whether to tender their Shares.

7. CERTAIN INFORMATION CONCERNING FARGO.

Except as otherwise stated in this Offer to Purchase, the information concerning Fargo contained herein has been taken from or is based upon reports and other documents on file with the SEC or otherwise publicly available. Although neither Merger Sub nor Zebra has any knowledge that would indicate that any statements contained herein based upon such reports and documents are untrue, neither Merger Sub nor Zebra takes any responsibility for the accuracy or completeness of the information contained in such reports and other documents or for any failure by Fargo to disclose events that may have occurred and may affect the significance or accuracy of any such information but that are unknown to Merger Sub or Zebra.

General. Fargo is a Delaware corporation with its principal executive offices located at 6533 Flying Cloud Drive, Eden Prairie, Minnesota 55344, where its telephone number is (952) 941-9470. Fargo's web site (which is not a part of this Offer to Purchase) is located at *www.fargo.com*. Fargo is engaged in the business of developing, manufacturing and supplying desktop systems that personalize plastic identification cards by printing images and text onto the cards, laminating them and electronically encoding them with information.

Financial Information. Set forth below is certain selected consolidated financial information relating to Fargo which has been excerpted or derived from the audited financial statements contained in Fargo's Annual Report on Form 10-K for the year ended December 31, 2000 and from the unaudited interim financial statements in Fargo's quarterly report on From 10-Q for the quarter ended March 31, 2001, each as filed with the SEC pursuant to the Exchange Act. More comprehensive financial information is included in these reports and other documents filed by Fargo with the SEC. The financial information that follows is qualified in its entirety by reference to these reports and other documents, including the financial statements and related notes contained therein. These reports and other documents may be examined and copies may be obtained from the offices of the SEC in the manner discussed below.

FARGO ELECTRONICS, INC.
SELECTED FINANCIAL DATA
(IN THOUSANDS EXCEPT PER SHARE DATA)

	Year Ended December 31,		Three Months Ended March 31,	
	1999	2000	2000	2001
Operations Data				
Net sales	$ 54,907	$ 59,100	$ 14,617	$ 13,172
Operating income	12,643	8,163	2,784	1,000
Net income (loss)	4,484	3,057	900	312
Basic net income per share (loss)	(37.56)	0.25	0.08	0.03
Diluted net income per share (loss)	(37.56)	0.24	0.06	0.03

	As of December 31,		March 31, 2001
	1999	2000	(unaudited)
Balance Sheet Data			
Total assets	$ 49,094	$ 48,815	$ 49,331
Bank debt	50,100	22,900	18,900
Stockholders' equity (deficiency)	(124,948)	21,359	21,684

Other Financial Information. On January 11, 2001, Fargo publicly announced a target of growing earnings per share five times by the end of 2003 over 2000 results. In connection with the preliminary discussions concerning a possible business combination involving Zebra and Fargo, a representative of Fargo subsequently furnished a representative of Zebra with certain information that was not publicly available, including a short set of financial projections and later the revised projections for the fiscal years ending December 31, 2001 and 2002 set forth below (the "Projections") which are slightly lower than the projections initially furnished to Zebra. The Projections for the fiscal year ending December 31, 2001 estimated total revenue of approximately $62 million and operating income of approximately $10 million. The Projections for the fiscal year ending December 31, 2002 estimated total revenue of approximately $73 million and operating income of approximately $15 million.

The Projections were prepared solely for Fargo's internal purposes and were not prepared with a view to public disclosure or compliance with the published guidelines of the SEC or the guidelines established by the American Institute of Certified Public

Accountants regarding projections or forecasts and are included herein only because such information was provided to Zebra in connection with discussions giving rise to the Acquisition Agreement. The Projections do not purport to present projected results of operations in accordance with generally accepted accounting principles, and Fargo's independent auditors have not examined or opined on the Projections and accordingly assume no responsibility therefor. Fargo has advised Zebra and Merger Sub that the Projections are subjective in many respects and thus susceptible to various interpretations and periodic revision based on actual experience and business developments. The Projections are based on a variety of assumptions (none of which were stated in the Projections and none of which were provided to Zebra) relating to the business of Fargo, industry performance, general business and economic conditions and other matters which are subject to significant uncertainties and contingencies, many of which are beyond Fargo's control, and, therefore, the Projections are inherently imprecise and there can be no assurance that they will be realized. None of Zebra, Merger Sub, Fargo or any of their representatives assumes any responsibility for the accuracy of the Projections, and Fargo has made no representation to Zebra or Merger Sub regarding the Projections described above. Fargo does not intend to update, revise or correct such Projections if they become inaccurate (even in the short term).

Available Information. The Shares are registered under the Exchange Act. Accordingly, Fargo is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is obligated to file periodic reports, proxy statements and other information with the SEC relating to its business, financial condition and other matters. Information, as of particular dates, concerning Fargo's directors and officers, their remuneration, stock options granted to them, the principal holders of Fargo's securities and any material interest of such persons in transactions with Fargo is required to be disclosed in such proxy statements and distributed to Fargo's stockholders and filed with the SEC. Such reports, proxy statements and other information are available for inspection at the public reference facilities at the SEC's principal office at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at the regional offices of the SEC located at 7 World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The SEC maintains a site on the World Wide Web, and the reports, proxy statements and other information filed by Fargo with the SEC may be accessed electronically on the World Wide Web at http://www.sec.gov. Copies of such material may also be obtained by mail, upon payment of the SEC's customary fees, from the SEC's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549.

8. CERTAIN INFORMATION CONCERNING ZEBRA AND MERGER SUB.

General. Zebra is a Delaware corporation with its principal offices located at 333 Corporate Woods Parkway, Vernon Hills, Illinois 60061. The telephone number of Zebra is (847) 634-6700. Zebra's web site (which is not part of this Offer to Purchase) is located at *www.zebracorporation.com*. Zebra and its wholly-owned subsidiaries (other than Merger Sub) design, manufacture and support a broad range of direct thermal and thermal transfer bar code label printers, receipt printers, instant-issuance plastic card printers and secure identification printing systems, related accessories and support software. Zebra markets its products worldwide principally to manufacturing and service organizations for use in automatic identification, data collection and personal identification systems.

Available Information. The shares of Zebra are registered under the Exchange Act. Accordingly, Zebra is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is obligated to file periodic reports, proxy statements and other information with the SEC relating to its business, financial condition and other matters. Information, as of particular dates, concerning Zebra's directors and officers, their remuneration, stock options granted to them, the principal holders of Zebra's securities and any material interest of such persons in transactions with Zebra is required to be disclosed in such proxy statements and distributed to Zebra's stockholders and filed with the SEC. Such reports, proxy statements and other information are available for inspection at the public reference facilities at the SEC's principal office at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at the regional offices of the SEC located at 7 World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The SEC maintains a site on the World Wide Web, and the reports, proxy statements and other information filed by Zebra with the SEC may be accessed electronically on the World Wide Web at http://www.sec.gov. Copies of such material may also be obtained by mail, upon payment of the SEC's customary fees, from the SEC's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549.

Merger Sub is a Delaware corporation with its principal offices located at 333 Corporate Woods Parkway, Vernon Hills, Illinois 60061. The telephone number of Merger Sub is (847) 634-6700. Merger Sub has not carried on any activities other than in connection with the Acquisition Agreement.

Merger Sub is not subject to the informational filing requirements of the Exchange Act. Merger Sub does not file reports or other information with the SEC relating to its businesses, financial condition or other matters.

The name, citizenship, business address, business phone number, principal occupation or employment and five (5) year employment history for each of the directors and executive officers of Parent and Merger Sub are set forth in Schedule I hereto.

As of the date hereof, Zebra owns 585,000 Shares and Veraje Anjargolian, Zebra's Vice President, Card Printer Business Unit, owns 60,000 Shares, all of which were purchased in the open market. See Section 10. Except as set forth above and in Sections 10 and 12 of this Offer to Purchase, (1) neither Zebra or Merger Sub nor, to the best knowledge of Zebra, Merger Sub, any of the persons listed in Schedule I to this Offer to Purchase or any associate or majority-owned subsidiary of Zebra or Merger Sub or any of the persons so listed, beneficially owns or has any right to acquire, directly or indirectly, any Shares and (2) neither Zebra or Merger Sub nor, to the best knowledge of Zebra and Merger Sub, any of the persons or entities referred to above or any director, executive officer or subsidiary of any of the foregoing has effected any transaction in the Shares during the past sixty (60) days.

Except as provided in the Acquisition Agreement, or as otherwise described in this Offer to Purchase, neither Zebra or Merger Sub nor, to the best knowledge of Zebra and Merger Sub, any of the persons listed in Schedule I to this Offer to Purchase, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of Fargo, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or voting of such securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies.

Except as set forth in this Offer to Purchase, neither Zebra or Merger Sub nor, to the best knowledge of Zebra and Merger Sub, any of the persons listed on Schedule I hereto, has had any business relationship or transaction with Fargo or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulations of the SEC applicable to the Offer. Except as set forth in this Offer to Purchase, there have been no contacts, negotiations or transactions between Zebra or any of its subsidiaries or, to the best knowledge of Zebra, any of the persons listed in Schedule I to this Offer to Purchase, on the one hand, and Fargo or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets. None of Zebra, Merger Sub or any of the persons listed in Schedule I has, during the past five (5) years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). None of Zebra, Merger Sub or any of the persons listed in Schedule I has, during the past five (5) years, been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

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9. SOURCE AND AMOUNT OF FUNDS.

The Offer is not conditioned upon any financing arrangement. Merger Sub estimates that the total amount of funds required to purchase all of the outstanding Shares (assuming the exercise of all outstanding options that have an exercise price below $7.25 and are or will be vested and exercisable as of the Effective Time) pursuant to the Offer and the Merger and to pay related fees and expenses will be approximately $92,126,455. Merger Sub will obtain these funds from Zebra's existing cash and investment securities resources.

10. BACKGROUND OF THE OFFER AND THE ACQUISITION; PAST CONTACTS OR NEGOTIATIONS WITH FARGO.

Executives of Zebra and Fargo have periodically had business-related contacts since Fargo introduced and developed a bar code printing product in the early 1990s that competed with a Zebra product. Fargo sold its bar code business in February 1993 to a party other than Zebra.

In October 1997, Edward L. Kaplan, the President and Chief Executive Officer of Zebra, and another officer of Zebra visited the Fargo facility, and Zebra subsequently made an offer to purchase Fargo's identification card printing business. Ultimately, however, Fargo was sold in February 1998 to an investor group led by TA Associates, Inc. ("TA Associates") and St. Paul Venture Capital, Inc. ("St. Paul Venture Capital"). In late 1999, Zebra acquired Eltron International, Inc. which was in the plastic card printing business.

During November 2000, U.S. Bancorp Piper Jaffray ("Piper Jaffray") approached Zebra and identified Fargo as an attractive acquisition candidate for Zebra. Between November 15, 2000 and November 28, 2000, Zebra purchased 585,000 Shares in open market purchases at an average price of approximately $2.60 per Share. Piper Jaffray met separately with both Edward L. Kaplan, the President and Chief Executive Officer of Zebra, and Gary R. Holland, the President and Chief Executive Officer of Fargo, to arrange a meeting between Messrs. Kaplan and Holland to discuss a possible business combination involving Zebra and Fargo. This meeting was hosted by Piper Jaffray in Chicago on December 5, 2000 and, at this meeting, Mr Kaplan and Piper Jaffray expressed Zebra's interest in a possible business combination transaction. However, Mr. Holland informed Piper Jaffray and Mr. Kaplan that Fargo generally was not interested in pursuing a sale of the company at that time. Zebra engaged Piper Jaffray to be its exclusive financial adviser in connection with the acquisition of Fargo on December 8, 2000.

In a letter to Fargo dated December 18, 2000, Zebra submitted its initial offer for Fargo of $4.25 per Share. The offer was conditioned on, among other things, the prior agreement of TA Associates and St. Paul Venture Capital (which, through affiliates, held approximately 27% and 13%, respectively, of the outstanding Shares) and the officers and directors of Fargo to tender their Shares to Zebra.

Mr. Holland then called Piper Jaffray on December 22, 2000 and indicated that Fargo had no response to the offer. On the same date, Zebra sent a letter to Fargo stating that Fargo's lack of response to the offer was being interpreted as a formal rejection. Fargo responded to Piper Jaffray that its lack of response was not a formal rejection and that a formal response to the offer would be forthcoming as soon as the Fargo Board had an opportunity to review and consider the offer. In a letter to Zebra dated January 9, 2001, Fargo stated that the Fargo Board had not made any decision to sell the company and that $4.25 per Share seemed inadequate in light of developments reflected in Fargo's internal business plans of which the investment community was not aware.

Piper Jaffray subsequently discussed the offer with Michael C. Child, a Fargo board member and managing director of TA Associates. On January 11, 2001, Fargo issued a press release regarding certain statements made by Fargo executives during a presentation to the Third Annual Needham & Co. Growth Conference on that date. The press release explained that, during the

presentation, Mr. Holland "noted that Fargo's competitive advantages will spur future growth of earnings per share, with a target of growing earnings per share five times by the end of 2003 over 2000 results."

Zebra sent a letter dated January 11, 2001 to Fargo asking to learn more about Fargo's projected financial performance for the 2001 fiscal year and beyond so that Zebra could consider raising the price per Share of its offer. Fargo again informed Zebra in writing on January 26, 2001 that Fargo was not interested in pursuing discussions with Zebra concerning a possible transaction and denied Zebra's request for additional information. In February 2001, Fargo released its financial results for the 2000 fiscal year which were below analyst expectations.

In late March 2001, Zebra continued to pursue a possible business combination with Fargo and increased its offer of $6.25 per Share, which Zebra communicated to TA Associates on March 29, 2001. Shortly thereafter, Zebra communicated the revised proposal to St. Paul Venture Capital. Zebra also informed Fargo of this increased offer in a letter dated April 10, 2001. On April 25, 2001, Fargo sent a letter to Zebra indicating that each of Fargo, TA Associates and St. Paul viewed the offer of $6.25 per Share as too low.

On May 16, 2001, executive officers of each of Zebra and Fargo met during the Cardtech convention in Las Vegas, Nevada to discuss recent product introductions, operating synergies and Fargo's forecast assumptions. On May 23, 2001, Mr. Holland met in person with Mr. Kaplan and Piper Jaffray to discuss Fargo's financial forecasts.

Based on this information, Zebra determined to increase its offer. On June 4, 2001, representatives of Piper Jaffray met with Mr. Child at his office in California and Everett V. Cox, a Fargo board member and general partner of St. Paul Venture Capital was present by phone. During this meeting, Piper Jaffray presented Zebra's increased offer of $7.15 and the offer was discussed extensively.

Piper Jaffray was subsequently informed through various phone calls that the offer of $7.15 was still too low. As a result, Zebra delivered to Fargo a letter dated June 13, 2001 indicating that Zebra was increasing its offer to $7.25 per Share. Messrs. Child and Cox told Piper Jaffray that TA Associates and St. Paul Venture Capital would be willing to consider such an offer as Fargo stockholders, but that any final decision concerning the offer would need to be made by the Fargo Board. There were a number of telephone discussions between the parties regarding this offer and issues regarding exclusivity, confidentiality and other matters related to the offer.

On July 10, 2001, Zebra and Fargo signed a letter agreement which provided for a period of exclusivity during which Zebra would conduct its due diligence investigation of Fargo and the parties would engage in discussions with the objective of negotiating the terms and conditions of a definitive agreement relating to a business combination of Fargo and Zebra by July 31, 2001. Zebra and Fargo entered into another letter agreement dated July 10, 2001 whereby Zebra agreed to keep confidential certain information received from Fargo.

Zebra commenced its due diligence review of Fargo on July 11, 2001 when Fargo made available to Zebra certain business, financial and legal information with respect to Fargo. The next day, Fargo provided Zebra with certain projections prepared by Fargo's management with respect to Fargo's fiscal years 2001 and 2002. See Section 7.

On July 16, 2001, counsel for Zebra delivered to counsel for Fargo a draft Acquisition Agreement containing terms which the parties had been negotiating and upon which Zebra would be willing to enter into a business combination with Fargo. During the remainder of July 2001, Fargo and its legal counsel and Zebra and its legal counsel negotiated the terms and conditions of the proposed Acquisition Agreement.

On July 31, 2001, the Fargo Board met to consider the Acquisition Agreement and the transactions contemplated thereby. At this meeting, the Fargo Board unanimously (1) determined that the Offer and the Merger and the other transactions contemplated in the Acquisition Agreement were advisable and were fair to and in the best interests of Fargo and the holders of Shares, (2) recommended that holders of Shares tender their Shares in the Offer and, if the matter is submitted to the Fargo stockholders, approve the Merger, and (3) approved the Acquisition Agreement, the Offer and the Merger and the other transactions contemplated by the Acquisition Agreement.

On July 31, 2001, Zebra, Merger Sub and Fargo executed and delivered the Acquisition Agreement. On that date, following the close of trading on Nasdaq, Zebra and Fargo issued a joint press release announcing the execution of the Acquisition Agreement.

On August 3, 2001, Merger Sub commenced the Offer.

11. THE ACQUISITION AGREEMENT.

The Acquisition Agreement. The following summary of certain provisions of the Acquisition Agreement is qualified in its entirety by reference to the complete text of the Acquisition Agreement, a copy of which has been filed as an exhibit to the Schedule TO referred to in Section 18 and is incorporated herein by reference. The following summary may not contain all of the information important to you. The Acquisition Agreement may be examined and copies may be obtained from the SEC in the same manner as set forth in Section 7. Capitalized terms used in the following summary and not otherwise defined in this Offer to Purchase have the meanings set forth in the Acquisition Agreement.

The Offer. The Acquisition Agreement provides that Merger Sub will commence the Offer as promptly as practicable but in no event later than three (3) business days after the date of the execution of the Acquisition Agreement. The obligation of Merger Sub to accept for payment and pay for Shares properly tendered pursuant to the Offer is subject to the satisfaction or waiver of the Minimum Condition and the other Offer Conditions. For a description of the Offer Conditions, see Section 15. Unless previously approved by Fargo in writing, neither Zebra nor Merger Sub may decrease the Offer Price or number of Shares tendered for, change the form of consideration payable in the Offer, increase the Minimum Condition, impose additional conditions on the Offer, change the expiration date of the Offer except as provided below, or

amend any other term of the Offer in a manner adverse to the holders of the Shares (other than with respect to insignificant changes or amendments).

Notwithstanding the limitations set forth in the preceding paragraph, Merger Sub may without Fargo's consent, extend the expiration date of the Offer from time to time for one (1) or more additional periods of not more than ten (10) business days (or such longer period as may be approved by Fargo), (i) if, immediately before the scheduled or extended expiration date of the Offer, any of the Offer Conditions are not satisfied or, to the extent permitted, waived, until such conditions are satisfied or waived, (ii) for any period required by the rules or regulations of the SEC or (iii) any period required by applicable law. In addition, if, at the scheduled or extended expiration date of the Offer, the Minimum Condition has been satisfied but Shares tendered and not withdrawn pursuant to the Offer constitute less than ninety percent (90%) of the outstanding Fargo Common Stock and the other Offer Conditions have been satisfied or waived, Merger Sub may, without the consent of Fargo, provide for a Subsequent Offering Period (as contemplated by Rule 14d-11 of the Exchange Act) for up to twenty (20) business days after Merger Sub's acceptance for payment of and payment for the Shares then tendered and not withdrawn pursuant to the Offer.

Directors. The Acquisition Agreement provides that promptly upon the purchase of and payment for, and as long as Zebra directly or indirectly owns, Shares constituting not less than a majority of the issued and outstanding Shares on a fully-diluted basis by Zebra or any of its direct or indirect

Subsidiaries pursuant to the Offer, Zebra may designate the number of directors, rounded up to the next whole number, on the Fargo Board such that the percentage of its designees on the Fargo Board equals the percentage of the outstanding Shares owned of record by Zebra and each of its direct or indirect Subsidiaries, and Fargo shall, upon the request of Merger Sub, use its reasonable efforts promptly to cause Zebra's designees (and any replacement designees in the event that any designee is no longer on the Fargo Board) to be elected or appointed to the Fargo Board, including, without limitation, increasing the number of directors, or obtaining resignations from that number of its current directors as is necessary to enable Zebra's designees to be elected to the Fargo Board. At such time, Fargo will also, upon the request of Merger Sub, use its reasonable efforts to cause persons designated by Zebra to constitute at least the same percentage (rounded up to the next whole number) as is on the Fargo Board of each committee of the Fargo Board. Notwithstanding the foregoing, until the Effective Time, the Fargo Board will have at least two (2) directors who are directors of Fargo on the date of the Acquisition Agreement and who are not officers of Fargo (the "Independent Directors"); provided, however, that (x) notwithstanding the foregoing, in no event will the requirement to have at least two (2) Independent Directors result in Zebra's designees constituting less than a majority of the Fargo Board unless Zebra has failed to designate a sufficient number of Persons to constitute at least a majority and (y) if the number of Independent Directors is reduced below two (2) for any reason whatsoever (or if immediately following Consummation of the Offer there are not at least two (2) then-existing directors of Fargo who (A) are Qualified Persons (as defined below) and (B) are willing to serve as Independent Directors), then the number of Independent Directors required will be one (1), unless the remaining Independent Director is able to identify a person, who is not an officer or Affiliate of Fargo, Zebra or any of their respective Subsidiaries (any such person being referred to herein as a "Qualified Person"), willing to serve as an Independent Director, in which case such remaining Independent Director will be entitled to designate any such Qualified Person or Persons to fill such vacancy, and such designated Qualified Person will be deemed to be an Independent Director, or if no Independent Directors then remain, the other directors will be required to designate two (2) Qualified Persons to fill such vacancies, and such persons will be deemed to be Independent Directors. Fargo's obligations to appoint Zebra's designees to the Fargo Board will be subject to Section 14(f) of the Exchange Act, and Rule 14f-1 under Section 14(f).

The Merger. The Acquisition Agreement provides that, following the consummation of the Offer and subject to the conditions set forth in the Acquisition Agreement, at the Effective Time, Merger Sub will be merged with and into Fargo (the "Merger"), the separate corporate existence of Merger Sub will cease, and Fargo will continue as the Surviving Corporation and a wholly-owned subsidiary of Zebra.

Conditions to the Merger. The respective obligations of Zebra, Merger Sub and Fargo to effect the Merger are subject to the satisfaction or waiver of the following conditions: (i) Merger Sub shall have accepted and purchased Shares pursuant to the Offer, (ii) any applicable waiting period under the HSR Act rules shall have expired or been terminated; (iii) the Acquisition Agreement, the Merger and the transactions contemplated by the Acquisition Agreement shall, if necessary, have received the requisite approval and authorization of Fargo's stockholders

and the stockholders of Merger Sub in accordance with applicable Law and the Certificate of Incorporation and Bylaws of Fargo and Merger Sub, as the case may be, (iv) no stop order or similar proceeding in respect of the Proxy Statement shall have been initiated or threatened in writing by the SEC; and all requests for additional information on the part of the SEC shall have been complied with to the reasonable satisfaction of the parties to the Acquisition Agreement; and (v) no Law, order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any Governmental Entity which (1) prohibits consummation of the Merger on the terms contemplated by the Acquisition Agreement, (2) would cause any of the transactions contemplated by the Acquisition Agreement to be rescinded following consummation or (3) would materially and adversely affect the right of Zebra to own, operate or control any material portion of the assets and operations of the Surviving Corporation.

Merger Consideration; Conversion of Shares. At the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof (i) each Share issued and outstanding immediately prior to the Effective Time, together with the associated Right (excluding any Shares to be canceled as set forth below and any Shares that (a) dissent from the Merger in accordance with the DGCL and (b) are held by stockholders who have properly exercised and perfected appraisal rights under the DGCL) shall immediately cease to be outstanding and shall automatically be canceled and be converted into the right to receive the Offer Price in cash payable to the holder thereof, without interest, upon surrender of the certificate representing the Share; and (ii) each Share held by Fargo, Zebra, Merger Sub or any Subsidiary of Zebra or Fargo shall automatically be canceled and extinguished without any conversion thereof and no payment shall be made with respect thereto. Each issued and outstanding share of common stock of Merger Sub will be converted into and become one (1) fully paid and non-assessable share of common stock of the Surviving Corporation.

Treatment of Options. Each option, warrant or similar right with respect to the Shares (an "Existing Option") that is outstanding as of the Effective Time, that is, or would be vested and exercisable (in whole or in part) as of the Effective Time, shall be terminated and canceled at the time that is immediately prior to the Effective Time and all holders of such Existing Options shall receive, subject to applicable withholding tax, an amount in cash equal to the product of (1) the number of Shares with respect to which such Existing Option is or will be vested and exercisable as of the Effective Time and (2) the excess, if any, of the Offer Price over the exercise price per share of such Existing Option. As of the time immediately prior to the Effective Time, each Existing Option not canceled as provided above will be terminated, the provisions in any other plan, program or arrangement providing for the issuance or grant of any other interest in respect of the capital stock of Fargo or any of its subsidiaries shall be deleted and no holder of Existing Options will have any right to receive any shares of capital stock of Fargo, or, if applicable, the Surviving Corporation.

Notwithstanding the foregoing, as of the Consummation of the Offer, Fargo's Employee Stock Purchase Plan shall be terminated and the rights of participants in such plan with respect to any offering period then underway shall be completed for all purposes prior thereto by refunding to each participant the account balance of such participant under such plan.

Stockholders' Meeting. If required to effect the Merger, Fargo shall, consistent with applicable Law and its Certificate of Incorporation and By-laws, call and hold a special meeting of its stockholders, as promptly as practicable following acceptance of the Shares pursuant to the Offer, for the purpose of voting upon the adoption or approval of the Acquisition Agreement (the "Special Meeting"), and shall use all reasonable efforts to hold the Special Meeting as soon as practicable thereafter. At the Special Meeting all of the Shares then owned by Zebra, Merger Sub or any other subsidiary of Zebra shall be voted to approve the Merger and the Acquisition Agreement. Fargo shall, subject to the applicable fiduciary duties of its directors, as determined by such directors in good faith after consultation with its outside legal counsel (who may be its regularly engaged outside legal counsel), (1) use all reasonable efforts to solicit from its stockholders proxies in favor of the adoption or approval, as the case may be, of the Merger, (2) take all other action necessary or advisable to secure the vote or consent of its stockholders, as required by the DGCL to obtain such adoption or approvals, and (3) include in the Proxy Statement the recommendation of the Fargo Board in favor of the Merger.

Zebra shall vote (or consent with respect to) any shares of common stock of Merger Sub beneficially owned by it, or with respect to which it has the power (by agreement, proxy, or otherwise) to cause to be voted (or to provide a consent), in favor of the adoption of the Acquisition Agreement and the Merger at any meeting of the stockholders of Merger Sub at which the Acquisition Agreement and the Merger shall be

submitted for adoption and at all adjournments or postponements thereof (or, if applicable, by any action of the stockholders of Merger Sub by consent in lieu of a meeting).

If the Special Meeting is required to effect the Merger, Zebra shall supply Fargo with the information pertaining to Zebra required by the Exchange Act for inclusion or incorporation by reference in the Proxy Statement. If before the Effective Time, any event or circumstance relating to Zebra or any of its Subsidiaries, or their respective officers or directors, should be discovered by Zebra that should be set forth in an amendment or a supplement to the Proxy Statement, Zebra shall promptly inform Fargo.

If the Special Meeting is required to effect the Merger, Fargo shall prepare and file with the SEC the Proxy Statement relating to the Special Meeting. As promptly as practicable after comments are received from the SEC on the preliminary proxy materials and after the furnishing by Fargo of all information required to be contained therein, Fargo shall mail the Proxy Statement to its stockholders.

Notwithstanding the foregoing, if following first acceptance for payment of Shares by Merger Sub pursuant to the Offer (or any during any extension thereof), Merger Sub owns at least ninety percent (90%) of the outstanding Shares, Fargo, Zebra and Merger Sub shall take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after such acquisition, without the Special Meeting, in accordance with Section 253 of the DGCL.

Dissenters' Rights. Dissenting Shares, to the extent required by the DGCL, shall not be converted into the right to receive the Merger Consideration, but the holders of Dissenting Shares shall be entitled to receive such consideration as shall be determined pursuant to Section 262 of the DGCL; *provided, however*, that if any such holder shall have failed to perfect or shall withdraw or lose his, her or its right to appraisal and payment under the DGCL, such holder's Shares shall thereupon be deemed to have been converted as of the Effective Time into the right to receive such Merger Consideration as if such holder had not asserted such holders rights under Section 262 of the DGCL, without any interest thereon, and such Shares shall no longer be Dissenting Shares. Fargo shall give Zebra, Merger Sub and the Disbursing Agent prompt notice of any claim by a stockholder of Fargo for payment of fair value for Dissenting Shares as provided in Section 262 of the DGCL. Prior to the Effective Time, Fargo will not, except with the prior written consent of Zebra and Merger Sub, make any payments with respect to, or settle or offer to settle, any such demands.

Representations and Warranties. Pursuant to the Acquisition Agreement, Fargo has made customary representations and warranties to Zebra and Merger Sub with respect to, among other things: its organization, qualification and corporate powers; capitalization; authority relative to, and enforceability of, the Acquisition Agreement; no violation or conflict; SEC reports; books and records; financial statements; no liabilities; absence of certain changes; title to assets; accounts receivable and payable; inventories; buildings and equipment; real estate; intangible assets; performance of contracts; insurance; litigation; taxes; employee benefit plans; environmental protection; labor matters; existing permits and violations of law; unlawful payments and contributions, warranty or other claims; customers, suppliers, distributors and resellers; transactions with affiliates; certain agreements; governmental approvals; vote required; opinion of financial advisor; brokers' and finders' fees; no pending acquisitions; takeover law; Fargo Rights Agreement; and disclosure.

Certain representations and warranties in the Acquisition Agreement made by Fargo are qualified as to "materiality" or "Material Adverse Effect." For purposes of the Acquisition Agreement and this Offer to Purchase, when used in connection with Fargo or any of its subsidiaries, the term "Material Adverse Effect" means any effect, change, event, circumstance or condition which when considered with all other effects, changes, events, circumstances or conditions has materially and adversely affected or would reasonably be expected to materially and adversely affect (i) the business, assets, results of operations or financial condition of Fargo, in each case including each of its Subsidiaries together with it taken as a whole, as the case may be, or (ii) the ability of Fargo to consummate any of the transactions contemplated by, or to perform its obligations under, the Acquisition Agreement; provided, however, that there shall be excluded from the definition of Material Adverse Effect any actual or

reasonably expected material and adverse effect on the business, assets, results of operations or financial condition of Fargo, including any loss by Fargo of any of its distributorship and reseller arrangements, that is attributable to, or results from, (x) the public announcement of the transactions contemplated in the Acquisition Agreement or (y) any delay in the consummation of the transactions contemplated in the Acquisition Agreement due to the extension of the applicable waiting period under the HSR Act beyond the initial 15-day waiting period.

Pursuant to the Acquisition Agreement, Zebra and Merger Sub have made customary representations and warranties to Fargo with respect to, among other things: their organization and qualification; authority relative to and enforceability of the Acquisition Agreement; no violation or conflict; governmental approvals; brokers' and finders' fees; required filings; sufficiency of funds; and disclosure.

None of the representations and warranties made by Zebra, Merger Sub or Fargo in the Acquisition Agreement will survive the Effective Time.

Covenants. The Acquisition Agreement contains various customary covenants of the parties. A description of these covenants follows.

Interim Operations. Except as contemplated by the Acquisition Agreement, from and after the date of the Acquisition Agreement and until the earlier of the termination of the Acquisition Agreement or the Effective Time, Fargo shall:

(a) carry on its business in the usual, regular and ordinary course substantially in the same manner as heretofore carried on;

(b) not (1) make payments or distributions (other than normal compensation) to any Affiliate of Fargo except for transactions in the ordinary course of business in accordance with past practice upon commercially reasonable terms; (2) sell, lease, transfer or assign any of its assets, tangible or intangible, other than for a fair consideration in the ordinary course of business in accordance with past practice and other than the disposition of obsolete or unusable property; (3) grant any license or sublicense of any rights under, or with respect to, any Intangible Assets, other than in the ordinary course of business, or (4) make any loan to, or enter into any other transaction with, any of its Affiliates, directors, officers and employees (other than compensation, benefits and expense reimbursement for employees in the ordinary course of business);

(c) not (1) enter into or modify any Contract (A) involving more than $100,000 (other than purchase and sales orders in the ordinary course of business in accordance with past practice) or (B) outside the ordinary course of business, without the consent of Zebra (which consent shall not be unreasonably withheld); (2) make any individual capital expenditure (or series of related capital expenditures) (A) involving more than $150,000 (unless such expenditure is identified in the current business plan of Fargo as provided to Zebra or (B) outside the ordinary course of business, without the consent of Zebra (which consent shall not be unreasonably withheld); or (3) cancel, compromise, waive or release any right or claim (or series of related rights and claims) not covered by the reserves or accruals relating to such claim on Fargo's unaudited balance sheets as of June 30, 2001, which Fargo has made available to Zebra, (A) involving more than $100,000 or (B) outside the ordinary course of business, without the consent of Zebra (which consent shall not be unreasonably withheld); *provided, however*, that the restrictions contained in this section (c) shall expire upon the Parties' receipt of a "second request" for information from the Federal Trade Commission or the Antitrust Division of the Department of Justice under the HSR Act;

(d) use, operate, maintain and repair all of its assets and properties in a normal business manner consistent with its past practices;

(e) use commercially reasonable efforts to preserve in all material respects its business organization intact, to retain the services of its employees, subject to changes in the ordinary course, and to conduct business with distributors, resellers, suppliers, customers, creditors and others having business relationships with Fargo in the best interests of Fargo;

(f) not knowingly do any act or knowingly omit to do any act or, to the extent within Fargo's reasonable control, knowingly permit any act or omission to act, which will cause a breach of any of its Contracts that would have a Material Adverse Effect on Fargo;

(g) use reasonable efforts to maintain all of its material Existing Insurance Policies (or policies substantially equivalent thereto) in full force and effect;

(h) not (1) except as required by any Contract to which Fargo is a party or in a manner consistent with past practice, grant any increase in the rate of pay of any of its employees; (2) institute or amend any Employee Benefit Plan unless required by Law; (3) enter into or modify any written employment agreement with any Person; or (4) except for commissions, and regularly scheduled payments under Fargo's Success Sharing Plan, as in effect on the date of the Acquisition Agreement, in a manner consistent with past practice, pay or accrue any bonus or incentive compensation to any Person;

(i) other than in the ordinary course of business or under Fargo's existing line of credit, as in effect on the date of the Acquisition Agreement, not create, incur or assume any Indebtedness or make any Investment;

(j) not amend its Certificate of Incorporation or Bylaws;

(k) not (1) issue any additional shares of stock of any class (except pursuant to its Existing Options outstanding on the date of the Acquisition Agreement) or grant any warrants, options or rights to subscribe for or acquire any additional shares of stock of any class, except that Fargo may grant additional options under its 1998 Stock Option and Grant Plan, as in effect on the date of the Acquisition Agreement, to employees who are hired by Fargo after such date, *provided that* no such option shall vest or become exercisable prior to the first anniversary of the date of its grant, which shall not accelerate as a result of the Offer, the Merger or the other transactions contemplated by the Acquisition Agreement, or otherwise on or prior to the Effective Time, and *provided further that* no such employee shall receive, in the aggregate, options to purchase more than 5,000 shares of Fargo Common Stock; (2) declare or pay any dividend or make any capital, surplus or other distributions (other than normal salaries) of any nature to its stockholders; or (3) directly or indirectly redeem, purchase or otherwise acquire, recapitalize or reclassify any of its capital stock or liquidate in whole or in part;

(l) timely and properly file, or timely and properly file requests for extensions to file, all Federal, state, local and foreign tax returns which are required to be filed, and pay or make provision for the payment of all Taxes owed by it;

(m) not knowingly do any act or omit to do any act that would result in a breach of any representation, warranty, or covenant of Fargo set forth in the Acquisition Agreement; and

(n) not enter into any agreement, arrangement or understanding with respect to any of the foregoing.

Regulatory and Other Approvals.

(a) Section 7.7 of the Acquisition Agreement provides that, subject to the terms and conditions below outlined, Fargo and Zebra will (1) take all reasonable steps necessary or desirable, and proceed diligently and in good faith and use all reasonable efforts to obtain all approvals required by any Contract to consummate the transactions contemplated by the Acquisition Agreement, (2) cooperate

with each other in obtaining all approvals, authorizations, and clearances of Governmental Entities required of Fargo or Zebra to permit Fargo and Zebra to consummate the transactions contemplated by the Acquisition Agreement, and (3) provide such other information and communications to such Governmental Entities as such authorities may reasonably request.

(b) Fargo and Zebra will (1) take all reasonable actions necessary to file as soon as practicable, but in no event later than three Business Days after the execution of the Acquisition Agreement, notifications under the HSR Act and (2) comply at the earliest practicable date with any request for additional information received from the Federal Trade Commission or Antitrust Division of the Department of Justice pursuant to the HSR Act.

(c) Fargo and Zebra shall use their respective best efforts to resolve such objections, if any, as may be asserted by any governmental or regulatory authority with respect to the transactions contemplated by the Acquisition Agreement under the HSR Act. In connection therewith, if any administrative or judicial action or proceeding is instituted (or threatened to be instituted) challenging any transaction contemplated by the Acquisition Agreement as violative of any Law designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade, each of Zebra and Fargo shall cooperate and use their respective best efforts vigorously to contest and

resist any such action or proceedings and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of any such transaction. Each of Zebra and Fargo shall use their respective best efforts to take such action as may be required to cause the expiration of the applicable waiting periods under the HSR Act with respect to such transactions as promptly as possible after the date of the Acquisition Agreement (other than requesting early termination of such waiting periods).

(d) Fargo and Zebra shall, except to the extent impermissible under, or inconsistent with, applicable Law, (i) promptly notify the other of, and if in writing, furnish the other with copies of (or, in the case of material oral communications, advise the other orally of), any communications from or with any Governmental Entity with respect to the Offer, the Merger or any of the other transactions contemplated by the Acquisition Agreement, (ii) permit the other party to review and discuss in advance, and consider in good faith the views of one another in connection with, any proposed written (or any material proposed oral) communication with any Governmental Entity, (iii) not participate in any meeting with any Governmental Entity unless it consults with the other party in advance and, to the extent permitted by such Governmental Entity, gives the other party the reasonable opportunity to attend and participate at any such meeting, (iv) furnish the other party with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between it and any Governmental Entity with respect to the Acquisition Agreement, the Offer and the Merger, and (v) furnish the other party with such necessary information and reasonable assistance as such other party may reasonably request in connection with its preparation of necessary filings or submissions of information to any Governmental Entity. Fargo and Zebra may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this section (d) as "outside counsel only." Such materials, and the information contained therein, shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient unless express permission is obtained in advance from the source of the materials (Fargo or Zebra, as the case may be) or such source's legal counsel.

No Solicitation.

(a) From and after the date of the Acquisition Agreement until the earlier of the termination of the Acquisition Agreement or the Effective Time, Fargo will not, and will not permit its directors, officers, or investment bankers to, and will use its reasonable efforts to cause its employees,

representatives and other agents not to, directly or indirectly, (1) solicit, initiate, or encourage any Acquisition Proposals, (2) engage in negotiations or discussions concerning, or provide any non-public information to any person or entity in connection with, any Acquisition Proposal, or (3) agree to, approve, recommend or otherwise endorse or support any Acquisition Proposal. As used herein, the term "Acquisition Proposal" shall mean any proposal relating to a possible (1) merger, consolidation or similar transaction involving Fargo, (2) sale, lease or other disposition, directly or indirectly, by merger, consolidation, share exchange or otherwise, of any assets of Fargo representing, in the aggregate, fifty percent (50%) or more of the assets of Fargo on a consolidated basis, (3) issuance, sale or other disposition of (including by way of merger, consolidation, share exchange or any similar transaction) securities (or options, rights or warrants to purchase or securities convertible into, such securities) representing fifty percent (50%) or more of the votes attached to the outstanding securities of Fargo, (4) liquidation, dissolution, or other similar type of transaction with respect to Fargo, or (5) transaction which is similar in form, substance or purpose to any of the foregoing transactions; provided, however, that the term "Acquisition Proposal" shall not include the Offer, the Merger and the transactions contemplated by the Acquisition Agreement. Fargo will immediately cease any and all existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing.

(b) Notwithstanding the above provisions, nothing contained in the Acquisition Agreement will prevent Fargo or the Fargo Board, directly or through representatives or agents on behalf of the Fargo Board, from (1) furnishing non-public information to, or entering into discussions or negotiations with, any Person in connection with an unsolicited bona fide Acquisition Proposal by such Person, if (A) such Acquisition Proposal would, if consummated, result in a transaction that, in the reasonable good faith judgment of the Fargo Board, after consultation with its financial advisors and outside legal counsel, is a Superior Proposal (as defined below), (B) such action, in the reasonable good faith judgment of the Fargo Board after consultation with Fargo's outside legal counsel is necessary to comply with the fiduciary duties of the Fargo Board to Fargo's stockholders under the DGCL and (C) prior to furnishing such non-public information to, or entering into discussions or

negotiations with, such Person, the Fargo Board receives from such Person an executed confidentiality agreement with customary confidentiality provisions, or (2) complying with Rule 14d-9 and Rule 14e-2 promulgated under the Exchange Act or other applicable law with regard to an Acquisition Proposal. Fargo agrees to promptly, and in any event within one day, advise Zebra of (x) the existence of any inquiries or proposals (or desire to make a proposal) received by (or indicated to) it after the date of the Acquisition Agreement, any such information requested from, or any negotiations or discussions sought to be initiated or continued with, Fargo, its Affiliates, or any of the respective directors, officers, employees, agents or representatives of the foregoing, in each case from a Person (other than Zebra and its representatives) with respect to an Acquisition Proposal, and (y) the material terms thereof or provided by Fargo to such Person and will provide to Zebra copies of any written material received by Fargo or provided by Fargo to such Person in connection with such inquiry or proposal. In addition, Fargo will notify Zebra of the identify of such Person immediately upon the earlier of receipt of a formal proposal from, or Fargo's execution of a confidentiality agreement with such Person. If Fargo engages in discussions or negotiations with respect to any such Acquisition Proposal thereafter in accordance with clause (x) above, Fargo shall keep Zebra and Merger Sub informed as to such discussions and negotiations and the material terms being discussed or negotiated and will provide Zebra copies of any written materials used in connection with such discussions and negotiations. "Superior Proposal" means any unsolicited, bona fide, written Acquisition Proposal which the Fargo Board concludes in good faith (after receipt of the advice of its financial advisor and outside legal counsel), taking into account all legal, financial, regulatory, fiduciary and other aspects of the proposal, including without limitation the need to obtain any necessary financing, and the Person making such proposal, (i) would, if consummated, result in a transaction that is more favorable to Fargo's stockholders (in their capacities as stockholders), from a financial point of view, than the transactions

contemplated by the Acquisition Agreement and (ii) is reasonably capable of being financed and completed.

(c) In the event Fargo receives a Superior Proposal prior to the approval of the Acquisition Agreement and the Merger by Fargo's stockholders at Fargo's Special Meeting, nothing contained in the Acquisition Agreement shall prevent the Fargo Board from accepting or approving such Superior Proposal, or recommending such Superior Proposal to Fargo's stockholders, if the Fargo Board (i) reasonably determines in good faith, based upon the advice of Fargo's outside corporate counsel, that the failure to take such action may constitute a breach of the fiduciary duties of the Fargo Board to Fargo's stockholders under the DGCL, (ii) provides Zebra with at least two (2) Business Days prior written notice of its intention to do so, (iii) causes its financial and legal advisors to afford Zebra the opportunity to match the Superior Proposal and to negotiate with Zebra to make other adjustments in the terms and conditions of the Acquisition Agreement as would enable Fargo to proceed with the transaction described therein on such adjusted terms and (iv) has not received from Zebra, within the two (2) Business Day notice period described in (ii) above, an offer that the Fargo Board determines, in good faith after consultation with its financial advisors matches or exceeds the Superior Proposal, in such case, the Fargo Board may amend, withhold or withdraw its recommendation of the Offer or the Merger. Notwithstanding the foregoing, the Acquisition Agreement shall remain in full force and effect unless the Acquisition Agreement is otherwise terminated in accordance with Article 9 thereof.

(d) *Certain Benefit Plans.* Except as otherwise provided in Section 4.4 of the Acquisition Agreement, Zebra agrees that Fargo will assume and honor and, from and after the Effective Time, it will cause the Surviving Corporation to assume and honor all obligations under Employee Benefit Plans of Fargo and all employment, change-in-control, retention, severance and other similar agreements entered into by Fargo prior to the date of the Acquisition Agreement, including those which provide for the payment, vesting or acceleration of benefits to employees, former employees or directors or former directors of Fargo upon or in connection with a change in control of Fargo; *provided, however*, that nothing in the Acquisition Agreement shall be interpreted as limiting the power of Zebra or the Surviving Corporation to amend or terminate any such Employee Benefit Plan or as requiring Zebra or the Surviving Corporation to offer to continue (other than as required by its terms) any written employment contract so long as any such action shall not adversely affect the accrued rights or accrued benefits of any employees or other beneficiaries which shall have arisen thereunder prior to such amendment or termination and shall not affect any rights or benefits for which the agreement of the other party or a beneficiary is required as a condition to any such amendment or termination. Zebra or the Surviving Corporation shall offer to each employee of Fargo who remains an employee of the Surviving Corporation or who becomes an employee of Zebra after the Effective Time (a "Continuing Employee") participation in employee benefit plans of Zebra as deemed appropriate by Zebra. Zebra will, or will cause the Surviving Corporation or another appropriate Subsidiary of Zebra to, give Continuing Employees full credit under such plans for prior service at Fargo for purposes of eligibility, vesting, benefit accrual, and determination of the level of benefits for prior service at Fargo or any corporate predecessor of Fargo.

Indemnification.

(a) Section 7.12(a) of the Acquisition Agreement provides that, from and after the date of the Acquisition Agreement through and including the Effective Time (without regard to the termination of the Acquisition Agreement), neither Zebra nor Fargo will take any action, nor permit any action to be taken, which would change or amend the provisions of the Certificate of Incorporation or the Bylaws of Fargo in effect on the date of the Acquisition Agreement relating to limitation of liability or indemnification inconsistent with its obligations under Section 7.12(b) of the Acquisition Agreement or eliminate or make any modification in Fargo's existing directors' and officers' insurance inconsistent with its obligations under Section 7.12(c) of the Acquisition Agreement. Zebra agrees that from and after the Effective Time all rights to indemnification now existing in favor of individuals who at or prior to the Effective Time were directors or officers of Fargo as set forth in the Certificate of Incorporation or the Bylaws of Fargo shall survive the Merger with respect to matters existing or occurring at or prior to the Effective Time and shall continue in full force and effect for a period of six (6) years following the Effective Time.

(b) Section 7.12(b) of the Acquisition Agreement provides that Fargo shall, and from and after the Effective Time, the Surviving Corporation shall, indemnify, defend and hold harmless each person who is now, or has been at any time prior to the date of the Acquisition Agreement or who becomes prior to the Effective Time, an officer or director of Fargo (each individually an "Indemnified Party" and, collectively, the "Indemnified Parties") against all losses, claims, damages, costs, expenses (including attorneys' fees and expenses), liabilities or judgments or amounts that are paid in settlement with the approval of the Indemnifying Party as a result of or in connection with any threatened or actual claim, action, suit, proceeding or investigation based on or arising out of the fact that such person is or was a director or officer of Fargo or out of or in connection with activities in such capacity, whether pertaining to any matter existing or occurring at or prior to the Effective Time and whether asserted or claimed prior to, or at or after, the Effective Time ("Indemnified Liabilities"), including all Indemnified Liabilities based on, or arising out of, or pertaining to the Acquisition Agreement or the transactions contemplated thereby, in each case to the full extent a corporation is permitted under the DGCL to indemnify any such person and, without limiting the generality or effect of the foregoing, to the fullest extent provided in the Certificate of Incorporation or the Bylaws of Fargo or any indemnification agreement between Fargo and such person as in effect on the date of the Acquisition Agreement. Zebra will cause the Surviving Corporation to pay expenses in advance of the final disposition of any such action or proceeding to each Indemnified Party to the fullest extent permitted by law and, without limiting the generality or effect of the foregoing, to the fullest extent provided in the respective Certificate of Incorporation or Bylaws of Fargo or any indemnification agreement between Fargo and such Indemnified Party as in effect on the date of the Acquisition Agreement, subject to receipt by Fargo of an undertaking by or on behalf of such officer or director contemplated by the DGCL. Without limiting the generality or effect of the foregoing, in the event any such claim, action, suit, proceeding or investigation is brought against any Indemnified Parties (whether arising before or after the Effective Time) and, in the opinion of counsel to an Indemnified Party, under applicable standards of professional conduct, there is a conflict on any significant issue between the position of Fargo and an Indemnified Party or different defenses may reasonably be expected to exist, the Indemnified Parties may retain counsel, which counsel shall be reasonably satisfactory to Fargo (or the Surviving Corporation after the Effective Time), and Fargo shall (or after the Effective Time, Zebra will cause the Surviving Corporation to) pay all reasonable fees and expenses of such counsel for the Indemnified Parties promptly as statements therefor are received, provided, however that (1) Zebra or the Surviving Corporation shall have the right, from and after the Effective Time, to assume the defense thereof (which right shall not affect the right of the Indemnified Parties to be reimbursed for separate counsel as specified in the preceding sentence), (2) Fargo and the Indemnified Parties will cooperate in the defense of any such matter and (3) neither Zebra, Fargo nor the Surviving Corporation shall be liable for any settlement effected without its prior written consent. Any Indemnified Party wishing to claim indemnification under Section 7.12 of the Acquisition Agreement, upon learning of any such claim, action, suit, proceeding or investigation, shall promptly notify both Zebra and Fargo (or, after the Effective Time, the Surviving Corporation) (but the failure to so notify shall not relieve a party from any liability which it may have under Section 7.12 of the Acquisition Agreement except and only to the extent such failure materially prejudices such party). The Indemnified Parties as a group may not retain more than one counsel to represent them with respect to each such matter unless there is, in the opinion of counsel to an Indemnified Party, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two (2) or more Indemnified Parties or unless different defenses may reasonably be expected to exist. Fargo, Zebra and Merger Sub agree that all

rights to indemnification, including provisions relating to advances of expenses incurred in defense of any action or suit, existing in favor of the Indemnified Parties with respect to matters occurring through the Effective Time, shall survive the Merger and shall continue in full force and effect for a period of not less than six (6) years from the Effective

Time; provided, however, that all rights to indemnification in respect of any Indemnified Liabilities asserted or made within such period shall continue until the disposition of such Indemnified Liabilities.

(c) Section 7.12(c) of the Acquisition Agreement provides that, no later than the Effective Time, Fargo and the Surviving Corporation shall purchase tail coverage for not less than six (6) years from the Effective Time under the current policies of the directors' and officers' liability insurance maintained by Fargo; *provided, however*, that the Surviving Corporation may purchase substitute tail coverage policies of at least the same coverage amounts and which contain terms and conditions not less advantageous to the beneficiaries of the current policies and provided that such substitution shall not result in any gaps or lapses in coverage with respect to matters occurring prior to the Effective Time; *provided, further*, that the Surviving Corporation shall not be required to pay an aggregate premium in excess of one thousand, two hundred percent (1200%) of the last annual premium paid by Fargo prior to the date hereof ("Maximum Premium"); and *provided, further*, that if the Surviving Corporation is unable to obtain insurance required by Section 7.12 of the Acquisition Agreement for the Maximum Premium, it shall obtain as much comparable insurance as is possible for an aggregate premium equal to the Maximum Premium.

(d) Zebra irrevocably and unconditionally guarantees the payment and performance obligations of the Surviving Corporation under Section 7.12 of the Acquisition Agreement.

(e) The indemnification obligations under Section 7.12 of the Acquisition Agreement shall survive the consummation of the Merger at the Effective Time, is intended to benefit Fargo, the Surviving Corporation and the Indemnified Parties, shall be binding on all successors and assigns of Zebra and the Surviving Corporation and shall be enforceable by the Indemnified Parties.

Reasonable Best Efforts. So long as the Acquisition Agreement has not been terminated, Fargo, Zebra and Merger Sub shall: (1) promptly make their respective filings (including filings required pursuant to the Exchange Act), obtain waivers, consents, permits and approvals, and thereafter make any other submissions required under all applicable Laws in order to consummate the Merger and the other transactions contemplated by the Acquisition Agreement and (2) use their respective reasonable best efforts to promptly take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or appropriate to consummate the Merger and the other transactions contemplated by the Acquisition Agreement.

Termination. Section 9.1 of the Acquisition Agreement provides that the Acquisition Agreement may be terminated and the Offer, the Merger and transactions contemplated by the Acquisition Agreement may be abandoned at any time prior to the Effective Time (whether before or after the approval of the Acquisition Agreement by Fargo's stockholders), as follows:

(a) by mutual written consent of Fargo and Zebra;

(b) by either Zebra or Fargo:

(i) if the Consummation of the Offer does not occur on or before November 15, 2001 (*provided that*, if the consummation of the Offer shall not have occurred by such date due to the applicable waiting periods under the HSR Act not having expired or been terminated, then such date shall be extended to December 31, 2002), unless such failure is the result of a breach of the Acquisition Agreement by the party seeking to terminate the Acquisition Agreement;

(ii) if any Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their respective best efforts to lift) which permanently restrains, enjoins or otherwise prohibits consummation of the Offer or the Merger and such order, decree, ruling or other action shall have become final and non-appealable; provided that the party seeking to terminate the

Acquisition Agreement pursuant to this subsection has fully complied with and performed its obligations pursuant to Section 7.7 of the Acquisition Agreement;

(iii) if there shall be any Law enacted, promulgated or issued and deemed applicable to the Offer or the Merger by any Governmental Entity which would make consummation of the Offer or the Merger illegal; or

(iv) if the Offer terminates or expires in accordance with its terms as the result of the failure of any of the Offer Conditions without Merger Sub having purchased any Shares pursuant to the Offer; *provided, however*, that the right to terminate the Acquisition Agreement pursuant to this subsection shall not be available to any party whose breach of the Acquisition Agreement or failure to fulfill any of its obligations under the Acquisition Agreement results in the failure of any such condition.

(c) by Fargo:

(i) if Zebra or Merger Sub shall have breached in any material respect any of their respective representations, warranties, covenants or other agreements contained in the Acquisition Agreement, which breach (A) cannot be or has not been cured, in all material respects, within twenty (20) business days after the giving of written notice to Zebra or Merger Sub, as applicable, and (B) would result in the failure to satisfy an Offer Condition;

(ii) if the Parties (A) have received a "second request" for information from the Federal Trade Commission or the Antitrust Division of the Department of Justice under the HSR Act and (B) clearance has not been obtained from such agency and the applicable waiting period has not terminated or expired within sixty (60) days after receipt of such second request, unless such failure is the result of a breach of the Acquisition Agreement by Fargo; provided that Fargo's right to terminate the Acquisition Agreement under this provision shall expire at Midnight on the fifth (5th) business day after such sixtieth (60th) day;

(iii) if the Board (i) determines that an Acquisition Proposal constitutes a Superior Proposal and the Board believes (after consulting with outside corporate counsel) that terminating the Acquisition Agreement and entering into an agreement to effect the Superior Proposal is necessary to comply with its fiduciary duties and (ii) complies with the provisions of Section 7.8 of the Acquisition Agreement, including affording Zebra an opportunity to match the Superior Proposal; or

(iv) if the Offer has not been timely commenced as required by the Acquisition Agreement.

(d) by Zebra:

(i) if Fargo shall have breached any representation, warranty, covenant or other agreement contained in the Acquisition Agreement, except for any such breach which (A) can be and is cured, in all material respects, within twenty (20) business days after the giving of written notice to Fargo or (B) without regard to any qualification or reference to materiality or Material Adverse Effect set forth in any representation and warranty, has not had and would not have, individually or in the aggregate with any other such breaches, a Material Adverse Effect; or

(ii) the Board (A) withholds or withdraws or modifies in a manner adverse to Zebra or Merger Sub its recommendation of the Offer, the Merger or the Acquisition Agreement, or (B) shall have approved a Superior Proposal.

Termination Fees.

(a) Fargo shall pay Zebra a termination fee if the Acquisition Agreement is terminated as follows:

(i) If the Acquisition Agreement is terminated pursuant to Section 9.1(d)(1) thereof as a result of a breach of Section 7.8 thereof and Fargo enters into an agreement to effect a Superior Proposal within twelve months after such termination, Fargo shall pay Zebra a fee of $5,600,000 promptly, and any event within five business days, following execution of such agreement.

(ii) If the Acquisition Agreement is terminated pursuant to Section 9.1(c)(3) or 9.1(d)(2) thereof, Fargo shall (1) pay Zebra a fee of $5,600,000 promptly, and in any event within five business days, following termination of the Acquisition Agreement.

Furthermore, if the Acquisition Agreement is terminated pursuant to Section 9.1(d)(1) thereof as a result of a breach of Section 7.8 thereof or is terminated pursuant to Section 9.1(c)(3) or 9.1(d)(2) thereof, Fargo shall promptly, and in any event within five business days, following such termination, reimburse Zebra for all reasonable out-of-pocket expenses of Zebra (including the fees and expenses of its legal and financial advisors) related in any manner to the Acquisition Agreement or the transactions contemplated thereby and incurred by Zebra on or after December 8, 2000.

(b) Zebra shall pay Fargo a fee of $3,100,000 if the Acquisition Agreement is terminated pursuant to Section 9.1(c)(1) thereof.

Stockholder Agreements

In connection with the execution of the Acquisition Agreement, Zebra has entered into Stockholder Agreements, each dated as of July 31, 2001 (the "Stockholder Agreements"), with each of several entities affiliated with TA Associates, Inc. and St. Paul Venture Capital, Inc. and each of the executive officers and directors of Fargo (collectively, the "Principal Stockholders"), pursuant to which each of the Principal Stockholders has agreed to tender, pursuant to and in accordance with the terms of the Offer, its, his or her Shares beneficially owned by it, him or her. In addition, each Principal Stockholder has agreed, at every Fargo stockholders meeting and on every action or approval by written consent instead of a meeting, to cause his, her or its Shares to be voted (i) in favor of approval of the Acquisition Agreement, the Offer and the Merger, (ii) against any action or agreement that would result in the breach in any respect of any covenant, representation or warranty or any other obligation or agreement of Fargo under the Acquisition Agreement and (iii) against the following actions: (A) any Acquisition Proposal (as defined in the Acquisition Agreement) or any extraordinary corporate transaction or (B)(1) any change in a majority of the persons who constitute the Fargo Board, (2) any change in the capitalization of Fargo or amendment to Fargo's Certificate of Incorporation or Bylaws, (3) any material change in Fargo's corporate structure or business or (4) any other action intended, or that could reasonably be expected to frustrate the purposes of, or prevent or delay the consummation of the Offer, the Merger or any of the transactions contemplated by the Stockholder Agreements or the Acquisition Agreement. The Principal Stockholders are not restricted as to how they may vote their Shares on all other matters. The Stockholder Agreements terminate upon the earlier of (i) the termination of the Acquisition Agreement or (ii) the Effective Time. As part of the Stockholder Agreements, each Principal Stockholder delivered an irrevocable proxy to Zebra granting it the right to vote his, her or its Shares in the manner similar to the obligations of such Principal Stockholder under the Stockholder Agreements described above if such Principal Stockholder does not so vote his, her or its shares.

Under the Stockholder Agreements entered into by the affiliates of each of TA Associates, Inc. (collectively, "TA") and St. Paul Venture Capital, Inc. (collectively, "St. Paul"), if a termination fee becomes payable by Fargo pursuant to the Acquisition Agreement and, in any such case a transaction

contemplated by a Superior Proposal is consummated within twelve (12) months after such termination, each of TA and St. Paul must pay Zebra an amount in cash equal to fifty percent (50%) of the excess of (A) the product of (x)(i) the gross amount of any cash, plus the fair market value of any other consideration, received by it for each of its Shares in such transaction, minus (ii) $7.25 and (y) the number of its Shares held of record or beneficially owned by it at the time the consideration is paid, over (B) the amount of any expenses (which shall not include any taxes) incurred by it directly in connection with such transaction. On July 31, 2001, the Principal Stockholders owned 5,253,350 Shares, constituting approximately 44.68% of the then outstanding Shares.

The Principal Stockholders include all of the following directors and executive officers of Fargo: Michael C. Child, Everett V. Cox, William H. Gibbs, Gary R. Holland, Kent O. Lillemoe, Elaine A. Pullen, Scott Ackerman, Mark Andersen, Kathleen Phillips, Thomas Platner, Paul Stephenson, Jeffrey D. Upin and the following other stockholders of Fargo: TA/Advent VIII L.P., Advent Atlantic and Pacific, TA Executives Fund LLC, TA Investors LLC, St. Paul Venture Capital IV LLC, and St. Paul Venture Capital Affiliates I LLC.

12. PURPOSE OF THE OFFER AND THE ACQUISITION; PLANS FOR FARGO.

Purpose of the Offer and the Acquisition. The purpose of the Offer and the Merger is for Zebra to acquire the entire equity interest in Fargo. Through the Offer, Merger Sub intends to acquire control of, and a majority equity interest in, Fargo. Following the completion of the Offer, Merger Sub intends to acquire any outstanding Shares not owned by Merger Sub by consummating the Merger. Upon consummation of the Merger, Fargo will become a wholly-owned subsidiary of Zebra.

Under the DGCL, the merger of Merger Sub into Fargo requires the approval of the Fargo Board and, unless the Merger is consummated pursuant to Section 253 of the DGCL described below, the affirmative vote of a majority of the holders of the then outstanding Shares. The Fargo Board has approved the transactions contemplated by the Acquisition Agreement, including the Offer and the Merger, and, unless the Merger is consummated pursuant to the short form merger provisions of the DGCL described below, the only remaining required corporate action necessary to consummate the Merger of Merger Sub into Fargo would be the approval of the Merger by the affirmative vote of the holders of a majority of the then outstanding Shares. If the Minimum Condition is satisfied, Merger Sub will have sufficient voting power to cause the adoption of the Acquisition Agreement by the requisite vote of stockholders of Fargo without the affirmative vote of any other stockholder.

Under Section 253 of the DGCL relating to the merger of a subsidiary into its parent, if Merger Sub acquires at least ninety percent (90%) of the outstanding Shares, Merger Sub will be able to effect the Merger of Merger Sub into Fargo without a vote of Fargo's stockholders. If Merger Sub is unable to satisfy the requirements for such a merger without a stockholder vote, a longer period of time may be required to effect the Merger because a vote of Fargo's stockholders would be required under the DGCL.

Appraisal Rights. No appraisal rights are available in connection with the Offer. However, if the Merger is consummated, stockholders of Fargo who have not tendered their Shares or, if applicable, voted in favor of the Merger, will have the right under Section 262 of the DGCL to dissent from the Merger and demand appraisal of, and to obtain payment in cash for the fair value of their Shares. Such rights, if the statutory procedures are complied with, could lead to a judicial determination of the fair value of the Shares (excluding any appreciation or depreciation arising from the accomplishment or anticipation of the Merger) required to be paid in cash to such dissenting stockholders for their Shares. In addition, such dissenting stockholders would be entitled to receive payment of a fair rate of interest from the date of consummation of the Merger on the amount determined to be the fair value of their Shares. In determining the fair value of the Shares, a Delaware court would be required to take into account all relevant factors. Accordingly, such determination could be based upon considerations other than, or in addition to, the market value of the Shares, including, among other things, asset value and

earning capacity. The value so determined in any appraisal proceeding could be higher or lower than the Offer Price. The foregoing summary of the rights of dissenting holders of Shares under the DGCL does not purport to be a complete statement of the procedures to be followed by holders of Shares desiring to exercise any appraisal rights under Delaware law.

Plans For Fargo. Pursuant to the terms of the Acquisition Agreement, promptly upon the purchase of and payment for any Shares by Merger Sub pursuant to the Offer, Zebra currently intends to seek maximum representation on the Fargo Board, subject to the requirement in the Acquisition Agreement regarding the presence of at least two Independent Directors on the Fargo Board of Directors until the Effective Time. Immediately following the Merger, the directors of Merger Sub and the officers of Fargo will be the directors and officers of the Surviving Corporation.

Upon acquiring control of Fargo, Zebra intends to continue its review and evaluation of Fargo and its assets, businesses, corporate structure, capitalization, operations, properties, policies, management and personnel, with a view towards determining how to optimally realize any potential benefits which arise from the relationship of the operations of Fargo with those of other business units of Zebra. Such evaluation and

review is ongoing and is not expected to be completed until after the consummation of the Offer and the Merger. If, as and to the extent that Zebra acquires control of Fargo, it will complete such evaluation and review of Fargo and will determine what, if any, changes would be desirable in light of the circumstances which then exist. Such changes could include, among other things, restructuring Fargo through changes in its business, corporate structure or management or could involve consolidating, reorganizing and streamlining certain operations. After Zebra concludes its review of the Company, it is possible that Zebra might modify some of its current plans. Except as described above or elsewhere in this Offer to Purchase, Zebra has no present plans or proposals that would relate to or result in an extraordinary corporate transaction involving Fargo (such as a merger, reorganization, liquidation, sale or other transfer of a material amount of assets), or any other material change in Fargo's capitalization, corporate structure or business.

13. CERTAIN EFFECTS OF THE OFFER.

Effect on the Market for the Shares. The purchase of Shares pursuant to the Offer will reduce the number of holders of Shares and the number of Shares that might otherwise trade publicly. Consequently, depending upon the number of Shares purchased and the number of remaining holders of Shares, the purchase of Shares pursuant to the Offer may adversely affect the liquidity and market value of the remaining Shares held by the public. It cannot be predicted whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for, or marketability of, the Shares or whether it would cause future market prices to be greater or less than the Offer Price.

Stock Quotations. The Shares are currently listed and traded on Nasdaq, which constitutes the principal trading market for the Shares. Depending upon the aggregate market value and the number of Shares not purchased pursuant to the Offer, the Shares may no longer meet the standards for continued listing on Nasdaq. Furthermore, the Shares will not be eligible for continued listing on Nasdaq if the registration of the Shares under the Exchange Act terminates as described below. If, as a result of the purchase of Shares pursuant to the Offer, the Shares no longer meet the requirements for continued listing on Nasdaq, the market for the Shares could be adversely affected. In the event the Shares are no longer eligible for listing on Nasdaq, quotations might still be available from other sources. The extent of the public market for the Shares and the availability of such quotations would, however, depend upon the number of holders of such Shares at such time, the interest in maintaining a market in such Shares on the part of securities firms, the possible termination of registration of such Shares under the Exchange Act and other factors. Zebra and Merger Sub intend to cause Fargo to delist the Shares from Nasdaq as soon as possible after consummation of the Offer.

Exchange Act Registration. The Shares are currently registered under the Exchange Act. Such registration may be terminated upon application of Fargo to the SEC if such Shares are not listed on a national securities exchange and there are fewer than three hundred (300) holders of record of the Shares. The termination of the registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by Fargo to its stockholders and to the SEC, and would make certain of the provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b) and the requirement of furnishing a proxy statement in connection with stockholders meetings and the related requirement of an annual report to stockholders, and the requirements of Rule 13e-3 with respect to going private transactions, no longer applicable with respect to the Shares or to Fargo. Furthermore, if registration of the Shares under the Exchange Act were terminated, the ability of "affiliates" of Fargo and persons holding "restricted securities" of Fargo to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended, may be impaired or, with respect to certain persons, eliminated. If the Shares were no longer registered under the Exchange Act, the Shares would no longer be eligible for Nasdaq listing. Zebra and Merger Sub intend to cause Fargo to make an application for termination of registration of the Shares as soon as possible after consummation of the Offer if the Shares are then eligible for such termination. If registration of the Shares is not terminated prior to the Merger, then the Shares will be delisted from Nasdaq and the registration of the Shares under the Exchange Act will be terminated following consummation of the Merger.

Margin Securities. The Shares are currently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") which has the effect, among other things, of allowing brokers to extend credit on such Shares as collateral. Depending on factors similar to those described above regarding listing and market quotations, following the Offer it is possible the Shares would no longer constitute "margin securities" for purposes of the Federal Reserve Board's margin regulations and therefore could no

longer be used as collateral for loans made by brokers. If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities."

14. DIVIDENDS AND DISTRIBUTIONS.

As discussed in Section 11, pursuant to the Acquisition Agreement, Fargo has agreed not to (1) issue any additional shares of stock of any class (except pursuant to its Existing Options outstanding on the date of the Acquisition Agreement) or grant any warrants, options or rights to subscribe for or acquire any additional shares of stock of any class, except that Fargo may grant additional options under its 1998 Stock Option and Grant Plan, as described in the "Interim Operations" subsection of Section 11 ; (2) declare or pay any dividend or make any capital, surplus or other distributions (other than normal salaries) of any nature to its stockholders; or (3) directly or indirectly redeem, purchase or otherwise acquire, recapitalize or reclassify any of its capital stock or liquidate in whole or in part.

15. CERTAIN CONDITIONS OF THE OFFER.

Notwithstanding any other term of the Offer, but subject, in all cases, to Zebra's and Merger Sub's obligations set forth under the Acquisition Agreement, including, without limitation, under Section 2.1 of the Acquisition Agreement, Merger Sub shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the 1934 Act (relating to Merger Sub's obligation to promptly pay for or return tendered Shares after the termination or withdrawal of the Offer), to pay for any Shares tendered pursuant to the Offer unless (i) the Minimum Condition shall have been satisfied and (ii) any waiting periods under the HSR Act applicable to the Offer shall have expired or been terminated prior to the expiration of the Offer. Furthermore, notwithstanding any other term of the Offer, but subject, in all cases, to Zebra's and Merger Sub's obligations set forth in the Acquisition Agreement, including, without limitation, under Section 2.1 of the Acquisition Agreement, Merger Sub shall not be required to accept for payment or, to pay for any

Shares not theretofore accepted for payment or paid for, and may terminate the Offer at any time if, at any time on or after the date of the Acquisition Agreement and before the acceptance of such Shares for payment or the payment therefor, any of the following conditions exists (other than as a result of any action or inaction of Zebra or any of its subsidiaries that constitutes a breach of the Acquisition Agreement):

(a) there shall have occurred any (1) general suspension of, or limitation on prices for, trading in securities on the New York Stock Exchange, Inc. in excess of one day; (2) declaration of a banking moratorium or suspension of payments in respect of banks in the United States or any general limitation by United States Federal or state authorities (whether or not mandatory) on the extension of credit by lending institutions, which limitation materially affects Merger Sub's ability to pay for the Shares; or (3) commencement of a war, armed hostilities or other national calamity involving the United States;

(b) (i) any of the representations and warranties of Fargo contained in the Acquisition Agreement, without regard to any qualification or reference to materiality or Material Adverse Effect, set forth therein, shall not be true and correct, in each case as of the date referred to in any representation or warranty which addresses matters as of a particular date or, as to all other representations and warranties, as of the date of the Acquisition Agreement and as of the expiration of the Offer, except where the failure of any such representations and warranties to be true and correct, individually or in the aggregate, has not had, and would not have, a Material Adverse Effect on Fargo, or (ii) Fargo shall have failed to perform or comply with, in all material respects, any of its obligations, covenants and agreements under the Acquisition Agreement;

(c) any order shall have been entered in any action or proceeding before any Federal or state court or any Governmental Entity or a preliminary or permanent injunction by any Federal or state court of competent jurisdiction by any Federal or state court of competent jurisdiction in the United States shall have been issued and remain in effect, which would have the effect of (1) making the purchase of, or payment for, some or all of the Shares pursuant to the Offer or the Merger illegal, (2) otherwise preventing consummation of the Offer or the Merger, or (3) materially and adversely affecting the ability of Merger Sub or Zebra effectively (A) to acquire, hold or operate the business of Fargo or (B) to exercise full rights of ownership of the Shares acquired by it, including but not limited to, the right to vote the Shares purchased by it on all matters properly presented to its stockholders, which, in either case, would effect a material diminution in the value of Fargo or the Shares;

(d) there shall have been any Federal or state statute, rule or regulation enacted or promulgated on or after the date of the Offer that would result in any of the consequences referred to in clauses (1), (2) or (3) of paragraph (c);

(e) a tender or exchange offer for any capital stock of Fargo shall have been made or publicly proposed to be made by another person, or it shall have been publicly disclosed or Merger Sub shall have learned that (1) any person, entity or "group" (as the term is used in Section 13(d)(3) of the Exchange Act) shall have acquired, or proposed to acquire, more than twenty percent (20%) of any class or series of capital stock of Fargo, or shall have been granted any option or right, conditional or otherwise, to acquire more than twenty percent (20%) of any class or series of capital stock of Fargo, (2) any new group shall have been formed which beneficially owns more than twenty percent (20%) of any class or series of capital stock of Fargo, (3) any person, entity or group shall have entered into a definitive agreement or an agreement in principle or made a proposal with respect to a tender offer or exchange offer for any capital stock of Fargo or a merger, consolidation or other business combination with or involving Fargo or (4) any person shall have filed a Notification and Report Form under the HSR Act reflecting an intent to acquire Fargo or assets or securities of Fargo;

(f) there shall have occurred any events or state of circumstances after the date of the Acquisition Agreement which, either individually or in the aggregate, would have a Material Adverse Effect on Fargo;

(g) the Acquisition Agreement shall have been terminated in accordance with its terms; or

(h) Zebra or Merger Sub shall have reached an agreement or understanding in writing with Fargo providing for termination of the Offer.

The foregoing conditions are for the sole benefit of Zebra and Merger Sub and may be waived by Merger Sub in whole or in part at any time and from time to time in its sole discretion.

16. CERTAIN LEGAL MATTERS.

General. Except as described in this Section 16, based on a review of publicly available filings by Fargo with the SEC and other publicly available information concerning Fargo, neither Zebra nor Merger Sub is aware of any license or regulatory permit that appears to be material to the business of Fargo and that might be adversely affected by Merger Sub's acquisition of Shares pursuant to the Offer, or of any approval or other action by any governmental, administrative or regulatory agency or authority, domestic or foreign, that would be required for the acquisition or ownership of Shares by Merger Sub pursuant to the Offer. Should any such approval or other action be required, it is presently contemplated that such approval or action would be sought, except as described below under "State Takeover Laws." While Merger Sub does not currently intend to delay acceptance for payment of Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or other action, if required, would be obtained without substantial conditions or that adverse consequences would not result to Fargo's business or that certain parts of Fargo's business would not have to be disposed of in the event that such approvals were not obtained or such other actions were not taken in order to obtain any such approval or other action. If certain types of adverse action are taken with respect to the matters discussed below, Merger Sub may decline to accept for payment or pay for any Shares tendered. See Section 15.

State Takeover Laws. Fargo is incorporated under the laws of the State of Delaware. In general, Section 203 of the Delaware General Corporation Law ("Section 203") prevents an "interested stockholder" (including a person who owns or has the right to acquire fifteen percent (15%) or more of the outstanding voting stock of a corporation) from engaging in a "business combination" (defined to include mergers and certain other actions) with a Delaware corporation for a period of three (3) years following the date such person became an interested stockholder unless, among other things, the "business combination" is approved by the Board of Directors of such corporation prior to such date. On July 31, 2001, prior to the execution of the Acquisition Agreement and the Stockholder Agreements, the Fargo Board by unanimous vote approved the Acquisition Agreement and the Stockholder Agreements. Accordingly, Section 203 is inapplicable to the Offer and the Merger.

The Minnesota Takeover Disclosure Law, Minnesota Statutes, Sections 80B.01-80B.13 (the "Takeover Disclosure Statute"), by its terms requires certain disclosures and the filing of certain disclosure material with the Minnesota Commissioner of Commerce (the "Commissioner") with respect to any offer for a corporation, such as Fargo, that has its principal place of business in Minnesota and a certain number of stockholders resident in Minnesota. Merger Sub will file a registration statement with the Commissioner on August 3, 2000. Although the Commissioner does not approve or disapprove the Offer, he does review the disclosure material for the adequacy of such disclosure and is empowered to suspend summarily the Offer in Minnesota within three (3) days of such filing if he determines that the registration statement does not (or the materials provided to beneficial owners of the Shares residing in Minnesota do not) provide full disclosure. If such summary suspension occurs, a hearing must be held (within ten (10) days of the summary suspension) as to whether to permanently suspend the Offer in Minnesota, subject to corrective disclosure. If the Commissioner takes action under the

Takeover Disclosure Statute, such action may have the effect of significantly delaying the Offer. In filing a registration statement under the Takeover Disclosure Statute, Merger Sub does not or concede that some or all of the provisions of the Takeover Disclosure Statute are applicable, valid, enforceable or constitutional. See Section 15 of this Offer to Purchase for certain conditions of the Offer, including conditions with respect to governmental actions.

In addition, Fargo and certain of its subsidiaries conduct business in a number of states throughout the United States, some of which have adopted laws and regulations applicable to offers to acquire securities of corporations that are incorporated or have substantial assets, stockholders, principal executive offices and/or a principal place of business in such states. In EDGAR V. MITE CORP., the Supreme Court of the United States held that the Illinois Business Takeover Statute, which involved state securities laws that made the takeover of certain corporations more difficult, imposed a substantial burden on interstate commerce and was therefore unconstitutional. In CTS CORP. V. DYNAMICS CORP. OF AMERICA, however, the Supreme Court of the United States held that a state may, as a matter of corporate law and, in particular, those laws concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without prior approval of the remaining stockholders, provided that such laws were applicable only under certain conditions, in particular, that the corporation has a substantial number of stockholders in and is incorporated under the laws of such state. Subsequently, in TLX ACQUISITION CORP. V. TELEX CORP., a federal district court in Oklahoma ruled that the Oklahoma statutes were unconstitutional insofar as they applied to corporations incorporated outside Oklahoma in that they would subject such corporations to inconsistent regulations. Similarly, in TYSON FOODS, INC. V. MCREYNOLDS, a federal district court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit.

Based on information supplied by Fargo and Fargo's representations in the Acquisition Agreement, neither Merger Sub nor Zebra believes that any state takeover statutes or regulations apply to the Offer or the Merger other than the Takeover Disclosure Statute. Merger Sub reserves the right to challenge the applicability or validity of any state law (including the Takeover Disclosure Statute) purportedly applicable to the Offer or the Merger and nothing in this Offer to Purchase or any action taken in connection with the Offer or the Merger is intended as a waiver of that right. If it is asserted that any state takeover statute is applicable to the Offer or the Merger and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or the Merger, Merger Sub might be required to file certain information with, or to receive approvals from, the relevant state authorities, and Merger Sub might be unable to accept for payment or pay for Shares tendered pursuant to the Offer, or be delayed in consummating the Offer or the Merger. In such case, Merger Sub may not be obligated to accept for payment or pay for any Shares tendered pursuant to the Offer.

Antitrust in the United States. Under the HSR Act and the rules that have been promulgated thereunder by the Federal Trade Commission (the "FTC"), certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and the FTC and certain waiting period requirements have been satisfied. The purchase of Shares pursuant to the Offer is subject to such requirements.

Pursuant to the requirements of the HSR Act, Merger Sub and Fargo filed a Notification and Report Form with respect to the Offer and Merger with the Antitrust Division and the FTC on August 1, 2001 and August 2, 2001, respectively. As a result, the waiting period applicable to the purchase of Shares pursuant to the Offer is scheduled to expire at 11:59 p.m., New York City time, fifteen (15) days after such filing by

Merger Sub. However, prior to such time, the Antitrust Division or the FTC may extend the waiting period by requesting additional information or documentary material relevant to the Offer from Merger Sub. If such a request is made, the waiting period will be extended

until 11:59 p.m., New York City time, on the tenth (10th) day after substantial compliance by Merger Sub with such request. Thereafter, such waiting period can be extended only by court order.

Shares will not be accepted for payment or paid for pursuant to the Offer until the expiration or termination of the applicable waiting period under the HSR Act. See Section 15. Any extension of the waiting period will not give rise to any withdrawal rights not otherwise provided for by applicable law. See Section 3. If Merger Sub's acquisition of Shares is delayed pursuant to a request by the Antitrust Division or the FTC for additional information or documentary material pursuant to the HSR Act, the Offer will be extended in certain circumstances. See Section 1.

The Antitrust Division and the FTC scrutinize the legality under the antitrust laws of transactions such as the acquisition of Shares by Merger Sub pursuant to the Offer. At any time before or after the consummation of any such transactions, the Antitrust Division or the FTC could take such action under the antitrust laws of the United States as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or seeking divestiture of the Shares so acquired or divestiture of substantial assets of Zebra or Fargo. Private parties (including individual States) may also bring legal actions under the antitrust laws of the United States. Merger Sub does not believe that the consummation of the Offer will result in a violation of any applicable antitrust laws. However, there can be no assurance that a challenge to the Offer on antitrust grounds will not be made, or if such a challenge is made, what the result will be. See Section 15 for certain conditions to the Offer, including conditions with respect to certain governmental actions and Section 11 for certain termination rights.

Other Filings. There is a possibility that filings may have to be made with other foreign governments under their merger notification statutes. The filing requirements of various nations are being analyzed by the parties and, where necessary, such filings will be made.

17. FEES AND EXPENSES.

Zebra and Merger Sub have retained Mellon Investor Services LLC to be the Information Agent/Depositary in connection with the Offer. The Information Agent/Depositary may contact holders of Shares by mail, telephone, telecopy, telegraph and personal interview and may request banks, brokers, dealers and other nominees to forward materials relating to the Offer to beneficial owners of Shares.

Zebra and Merger Sub will pay reasonable and customary compensation for the respective services of the Information Agent/Depository in connection with the Offer, reimburse the Information Agent/Depository for reasonable out-of-pocket expenses, and indemnify the Information Agent/Depository against certain liabilities and expenses in connection therewith, including certain liabilities under federal securities laws.

Fargo has retained Raymond James to act as its sole financial advisor in connection with the Offer and the Merger. Pursuant to the terms of Raymond James' engagement, Fargo has agreed to pay Raymond James the following amounts: (i) a retainer fee of $25,000 (which will be deducted from any amount due upon consummation of the transaction), (ii) $250,000 payable upon rendering an opinion as to the fairness, from a financial point of view, of the consideration to be received in the Offer and the Merger by the holders of Shares and (iii) 0.25% of the total consideration received by Fargo stockholders in connection with the Transactions, or approximately $252,000, upon consummation of the transaction. Fargo also has agreed to reimburse Raymond James for reasonable out-of-pocket expenses, including the reasonable fees, disbursements and other charges of its legal counsel, and to indemnify Raymond James and related parties against certain liabilities, including liabilities under the federal securities laws, arising out of Raymond James' engagement.

Zebra has engaged Piper Jaffray to act as Zebra's exclusive financial adviser in connection with the Offer. Zebra has agreed to (1) pay Piper Jaffray a transaction fee of $800,000 for its services as financial advisor to Zebra, (2) reimburse Piper Jaffray for its out-of-pocket expenses and (3) indemnify

Piper Jaffray against certain liabilities in connection with the Offer and the Merger, including certain liabilities under the federal securities laws.

The Acquisition Agreement provides that all costs and expenses incurred in connection with the Offer and the Merger will be paid by the party incurring such costs and expenses, except in certain circumstances where Merger Sub or Fargo is required to reimburse the other party for its out-of-pocket expenses. The following table presents the estimated fees and expenses to be incurred in connection with the Offer and the Merger:

Dealer Manager Fees and Expenses	$	300,000
Fargo Financial Advisor Fees and Expenses		502,000
Zebra Financial Advisor Fees and Expenses		820,000
Fargo Legal Fees and Expenses		200,000
Zebra Legal Fees and Expenses		250,000
Zebra Accounting Fees		50,000
Printing and Mailing		100,000
Summary Publication Expense		82,500
SEC Filing Fee		18,081
HSR Filing Fee		45,000
Depository Fees		25,000
Information Agent Fees and Expenses		10,500
Miscellaneous		21,919
Total	$	2,425,000

None of Zebra or Merger Sub will pay any fees or commissions to any broker or dealer or to any other person (other than to the Depositary and the Information Agent) in connection with the solicitation of tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by Merger Sub for customary mailing and handling expenses incurred by them in forwarding offering materials to their customers.

18. MISCELLANEOUS.

The Offer is being made to all holders of Shares. Merger Sub is not aware of any jurisdiction where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If Merger Sub becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, Merger Sub will make a good faith effort to comply with any such state statute or seek to have such statute declared inapplicable to the Offer. If, after such good faith effort, Merger Sub cannot comply with any such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Merger Sub by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

No person has been authorized to give any information or make any representation on behalf of Zebra or Merger Sub not contained in this Offer to Purchase or in the related Letter of Transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

Zebra and Merger Sub have filed with the SEC a Tender Offer Statement on Schedule TO, together with all exhibits thereto, pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act (the "Exchange Act Rules"), furnishing certain additional information with respect to the Offer. In addition, Fargo has filed a Solicitation/Recommendation Statement on Schedule 14D-9, together with all exhibits thereto, pursuant to Rule 14d-9 of the Exchange Act Rules setting forth its recommendation with respect to the Offer and the

reasons for such recommendations and furnishing certain additional related information. Such Schedules and any amendments thereto, including exhibits, may be inspected and copies may be obtained from the offices of the SEC in the manner set forth in Section 7 (except that they will not be available at the regional offices of the SEC).

Rushmore Acquisition Corp.
August 3, 2001

SCHEDULE I

**INFORMATION CONCERNING THE DIRECTORS
AND EXECUTIVE OFFICERS OF ZEBRA AND MERGER SUB**

Directors and Executive Officers of Zebra. The following table sets forth the name, present principal occupation or employment and material occupations, positions or employments for the past five (5) years of each director and executive officer of Zebra. Unless otherwise indicated, the current business address of each person is 333 Corporate Woods Parkway, Vernon Hills, Illinois 60061. Except as set forth below, each person listed below is a citizen of the United States of America.

Name	Present Principal Occupation or Employment; Material Positions Held During the Past Five Years
Gerhard Cless	Executive Vice President, Secretary and Director. Mr. Cless is a co-founder of Zebra and has been the Executive Vice President and Secretary of Zebra since June 1998. Mr. Cless served as Executive Vice President for Engineering and Technology of Zebra from February 1995 to June 1998, after having served as Senior Vice President since 1969. Mr. Cless served as Treasurer of Zebra until October 1991. Since 1969, he has been active with Zebra where he has directed the development of numerous label printers and maintained worldwide technology/vendor relationships. Prior to founding Zebra, Mr. Cless was a research and development engineer at Teletype Corporation's printer division. Mr. Cless received an MSME degree from Esslingen, Germany, and has done graduate work at the Illinois Institute of Technology. Zebra's 57,400 square-foot technology center, which was completed in 1999, is named in honor of Mr. Cless. Mr. Cless is a citizen of Germany and a resident alien in the United States.
Edward L. Kaplan	Chairman of the Board and Chief Executive Officer. Mr. Kaplan is a co-founder of Zebra and has been the Chief Executive Officer and Chairman of Zebra since 1969. He served as President of Zebra from its formation until February 1995 and again from April 1997 to April 1998 (on an interim basis) and as Chief Financial Officer of Zebra from its formation until October 1991. Mr. Kaplan began his career as a project engineer for Seeburg Corporation, later joining Teletype Corporation as a mechanical engineer performing research and development in the Printer Division. In 1969, he and Gerhard Cless founded Zebra, then known as Data Specialties, Inc. Mr. Kaplan received a BS in Mechanical Engineering from the Illinois Institute of Technology (graduating Tau Beta Pi) and an MBA from the University of Chicago and is an NDEA Fellow of Northwestern University.

Christopher G. Knowles	Director of Zebra since July 1991. In 1966, Mr. Knowles joined North American Van Lines,

	which was acquired by PepsiCo, Inc. two years later. He continued his career with PepsiCo, Inc., working in human relations and distribution with several of its subsidiary companies, including North American Van Lines, PepsiCo Service Industries and Wilson Sporting Goods, as well as holding positions on the corporate staff of PepsiCo, Inc. In 1976, he became a vice president of Allied Van Lines and later became Division Vice President in charge of Allied's Household Goods Division, the largest division of that company. In January 1980, Mr. Knowles joined Underwriters Salvage Company as its Chairman and Chief Executive Officer and subsequently acquired that company with other members of its management. Insurance Auto Auctions, Inc. acquired Underwriters Salvage Company in January 1994. Mr. Knowles became President and Chief Operating Officer of Insurance Auto Auctions, Inc. in April 1994 and held such positions until March 1996. Between December 1998 and November 2000, Mr. Knowles served as Chief Executive Officer of Insurance Auto Auctions. In addition, he served on its board of directors from June 1994 until February 2000. Mr. Knowles received his BA degree from Indiana University in 1966.
David P. Riley	Director of Zebra since July 1991. In December 2000 he retired from The Middleby Corporation where he served as President and Chief Executive Officer since 1984. The Middleby Corporation is a public company, which manufactures commercial food equipment and provides complete kitchens to various institutional customers, as well as to restaurants such as Pizza Hut and Domino's Pizza. Mr. Riley continues to serve as a director of The Middleby Corporation. He was previously employed in various management positions with a subsidiary of The Middleby Corporation and, before that, with Hobart Corporation, a food equipment manufacturer. Mr. Riley holds a BS in Engineering from the Ohio State University.

Donald K. Skinner	Vice Chairman of the Board of Zebra since the merger of Zebra and Eltron International, Inc. on October 28, 1998. In addition, he served as President of Zebra's Card Printer Business Unit from October 28, 1998 until his retirement in April 2000. Mr. Skinner is currently the President/CEO/Chairman of Ceryx Inc., Santa Paula, CA, a manufacturer of diesel emissions control products and Vice Chairman of RF-Code Inc., Mesa, AZ, a manufacturer of radio frequency tags. Mr. Skinner founded Eltron, Inc., the predecessor of Eltron International, in September 1989 and served as its President until December 1990. He then served as the Executive Vice President and Chief Operating Officer of Eltron International from January 1991 to December 1992; its President from December 1992 to September 1995 and its Chief Executive Officer from December 1992 and its Chairman of the Board from July 1995 until the merger with Zebra. Prior to Eltron, Mr. Skinner's positions included General Manager of Axiom Edwards-CPE, Inc. (January 1989 to August 1989); co-founder and Executive Vice President and Chief Operating Officer of Peripheral Technology Corporation (1985 to 1988); and Director New Product Development and various positions for Dataproducts Corporation (1968-1983). Mr. Skinner holds a BSME from West Coast University and an MBA from Pepperdine University.
Michael A. Smith	Director of Zebra since July 1991. Mr. Smith is the Chairman, Chief Executive Officer and founder of FireVision L.L.C., which he formed in December 1999. FireVision is developing visualization software and related analytical technologies for use in high-bandwidth e-commerce applications. From September 1998 to December 1999, Mr. Smith was Senior Managing Director and head of the Chicago and Los Angeles offices of the Mergers & Acquisitions Department of NationsBanc Montgomery Securities and its successor entity,

	Banc of America Securities, LLC. He was Senior Managing Director and co-head of the Mergers and Acquisitions Department of BancAmerica Robertson Stephens from September 1997 to August 1998. Previously, Mr. Smith was co-founder and head of the investment banking group BA Partners and its predecessor entity Continental Partners Group since 1989. His previous positions include Managing Director, Corporate Finance Department, for Bear, Stearns & Co. (1982 to 1989) and Vice President and Manager of the Eastern States and Chicago Group Investment Banking Division of Continental Bank (1977 to 1982). He was a director of Graphic Technology from 1983 to 1989. Mr. Smith graduated Phi Beta Kappa from the University of Wisconsin and received an MBA from the University of Chicago. Mr. Smith's business address is c/o FireVision L.L.C., 900 North Lake Shore Drive #1611, Chicago, IL 60611.

Charles E. Turnbull	President of Zebra since April 20, 1998. Mr. Turnbull came to Zebra from Nashua Corporation, where he was President of the Commercial Products Group from August 1995 to October 1997. From January 1994 until November 1994, Mr. Turnbull was President of the Polyken Technologies Division of Kendall International. From 1978 to 1994, Mr. Turnbull held various management positions of increasing responsibility with the Avery Dennison Corporation, including Vice President and General Manager of the Marking Films Division. Mr. Turnbull received a BS degree in industrial engineering from the University of Oklahoma and an MBA from the Harvard Graduate School of Business.
John H. Kindsvater	Senior Vice President, Business Development of Zebra since December 2000. He joined Zebra in 1980 and held various sales and marketing executive positions, in which he was responsible for developing and implementing marketing and sales strategies. In February 1995, he was promoted to Vice President of Corporate Development, and in May 1996 was appointed to the additional position of President of Zebra Technologies VTI. From December 1998 to December 2000, Mr. Kindsvater held the position of Vice President, Market Development. Prior to joining Zebra, Mr. Kindsvater held management positions in corporate development, international operations, marketing and sales with various technology-based companies, including Quixote Corporation, A. B. Dick Company, Marsh Instrument Company and Jeppesen & Co. Mr. Kindsvater attended Purdue University and received his BS degree and MBA from the University of Denver. He has served on the Board of Directors of Automatic Identification Manufacturers (AIM), the industry's trade association.
Charles R. Whitchurch	Chief Financial Officer and Treasurer of Zebra since September 1991. From 1981 until he joined Zebra, he served as Vice President, Finance of Corcom, Inc., a technology company specializing in the control of radio frequency interference. Mr. Whitchurch previously held positions as Chief Financial Officer of Resinoid Engineering Corporation and as Corporate Services Officer with the Harris Bank in Chicago. Mr. Whitchurch earned a BA in Economics (Phi Beta Kappa) from Beloit College and an MBA from Stanford University in 1973.
Veraje Anjargolian	Vice President and General Manager of Zebra's Card Printer Business Unit since the year 2000. In 1996, Mr. Anjargolian served as General Manager of RIS Inc. He continued in this capacity until 1997 when he became Vice President of Operations of Zebra's Card Printer Business Unit. Mr. Anjargolian held this position until 1999.

Todd R. Naughton	Vice President and Controller of Zebra since April 2000. Previously Mr. Naughton was Corporate Controller for Zebra since joining the company in January 1999. From January 1998 to January 1999, Mr. Naughton was Vice President–Financial Shared Services for Moore Corporation Limited. Previously, Mr. Naughton was Vice President and Controller for UARCO Incorporated from June 1996 to January 1998. His previous positions include Director of Treasury, Manager of Financial Planning and Assistant Controller for Handy Andy Home Improvement Centers, Inc. (1988 to 1996), Assistant Controller and Manager of Financial Reporting of Uptown Federal Savings, FSB (1986 to 1988) and as a Staff Auditor with Ernst & Whinney (1984 to 1986). Mr. Naughton received a BS in accounting from the University of Illinois at Urbana-Champaign, and an MBA from the University of Chicago. He is a certified public accountant.
Michael T. Edicola	Vice President of Human Resources since September 1999. From 1995 to 1999, Mr. Edicola was Vice President of Human Resources for The Rank Group PLC's Film and Entertainment Services business. From 1981 to 1995, he served in various senior Human Resource management positions with the General Electric Company, progressing to Divisional Human Resources Officer for both the Steam Turbine and Navy business groups. Mr. Edicola received a BS in Industrial Relations from LeMoyne College and an MA in Human Resources from the University of Cincinnati.

Directors and Executive Officers of Merger Sub. The following table sets forth the name, present principal occupation and material occupations, positions or employments for the past five (5) years of each director and executive officer of Merger Sub. Unless otherwise indicated, the current business address of each person is 333 Corporate Woods Parkway, Vernon Hills, Illinois 60061. Each person listed below is a citizen of the United States of America.

Name	Present Principal Occupation or Employment; Material Positions Held During the Past Five Years
Edward L. Kaplan	Director of Merger Sub since July 2001. Chairman and Chief Executive Officer. Mr. Kaplan is a co-founder of Zebra and has been the Chief Executive Officer and Chairman of Zebra since 1969. He served as President of Zebra from its formation until February 1995 and again from April 1997 to April 1998 (on an interim basis) and as Chief Financial Officer of Zebra from its formation until October 1991. Mr. Kaplan began his career as a project engineer for Seeburg Corporation, later joining Teletype Corporation as a mechanical engineer performing research and development in the Printer Division. In 1969, he and Gerhard Cless founded Zebra, then known as Data Specialties, Inc. Mr. Kaplan received a BS in Mechanical Engineering from the Illinois Institute of Technology (graduating Tau Beta Pi) and an MBA from the University of Chicago and is an NDEA Fellow of Northwestern University.
John H. Kindsvater	President and Director of Merger Sub since July 2001. Senior Vice President, Business Development of Zebra since December 2000. He joined Zebra in 1980 and held various sales and marketing executive positions, in which he was responsible for developing and implementing marketing and sales strategies. In February 1995, he was promoted to Vice President of Corporate Development, and in May 1996 was appointed to the additional position of President of Zebra Technologies VTI. From December 1998 to December 2000, Mr. Kindsvater held the position of Vice President, Market Development. Prior to joining Zebra, Mr. Kindsvater held management positions in corporate development, international operations, marketing and sales with various technology-based companies, including Quixote

	Corporation, A. B. Dick Company, Marsh Instrument Company and Jeppesen & Co. Mr. Kindsvater attended Purdue University and received his BS degree and MBA from the University of Denver. He has served on the Board of Directors of Automatic Identification Manufacturers (AIM), the industry's trade association.

Charles R. Whitchurch	Vice President, Secretary, Treasurer and Director of Merger Sub since July 2001. Chief Financial Officer and Treasurer of Zebra since September 1991. From 1981 until he joined Zebra, he served as Vice President, Finance of Corcom, Inc., a technology company specializing in the control of radio frequency interference. Mr. Whitchurch previously held positions as Chief Financial Officer of Resinoid Engineering Corporation and as Corporate Services Officer with the Harris Bank in Chicago. Mr. Whitchurch earned a BA in Economics (Phi Beta Kappa) from Beloit College and an MBA from Stanford University in 1973.

Manually signed facsimile copies of the Letter of Transmittal will be accepted. The Letter of Transmittal and certificates for the Shares and any other required documents should be sent or delivered by each stockholder or such stockholder's broker, dealer, commercial bank, trust company or other nominee to the Depositary at its address set forth below:

The Depositary of the Offer is:

Mellon Investor Services LLC

By Hand:	***By First Class or Express Mail:***	***By Overnight:***
Mellon Investor Services LLC 120 Broadway 13th Floor New York, NY 10271 Attn: Reorganization Dept.	Mellon Investor Services LLC P.O. Box 3301 South Hackensack, NJ 07606 Attn: Reorganization Dept.	Mellon Investor Services LLC 85 Challenger Road Mail Drop-Reorg Ridgefield Park, NJ 07660 Attn: Reorganization Dept.

By Facsimile Transmission:

FAX#: (201) 296-4293
FAX Confirmation #: (201) 296-4860

The Information Agent of this Offer is:

Mellon Investor Services LLC

44 Wall Street – 7th Floor
New York, NY 10271
Call Toll Free: (800) 261-8056

The Dealer Manager of the Offer is:

U.S. Bancorp Piper Jaffray
800 Nicollet Mall J1012005
Minneapolis, MN 55402-7020
Call Toll Free: (800) 333-6000

Any questions or requests for assistance or for additional copies of this Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery may be directed to the Information Agent/Depositary at the above address and phone number. Stockholders may also contact their broker, dealer, commercial bank or trust company for assistance concerning the Offer.

QuickLinks

LETTER OF TRANSMITTAL

To Tender Shares of Common Stock

(Including the Associated Rights to Purchase Preferred Stock)

of

Fargo Electronics, Inc.

Pursuant to the Offer to Purchase dated August 3, 2001

by

Rushmore Acquisition Corp.

a wholly-owned subsidiary of

Zebra Technologies Corporation

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY AUGUST 30, 2001 UNLESS THE OFFER IS EXTENDED

The Depositary for the Offer is:

Mellon Investor Services LLC

By Hand:
Mellon Investor Services LLC
120 Broadway
13th Floor
New York, NY 10271
Attn: Reorganization Dept.

By First Class or Express Mail:
Mellon Investor Services LLC
P.O. Box 3301
South Hackensack, NJ 07606
Attn: Reorganization Dept.

By Overnight:
Mellon Investor Services LLC
85 Challenger Road
Mail Drop-Reorg
Ridgefield Park, NJ 07660
Attention: Reorganization

Your bank or broker can assist you in completing this Letter of Transmittal. The instructions enclosed with this Letter of Transmittal must be followed and should be read carefully. Questions and requests for additional copies of the Offer to Purchase (as defined below) and this Letter of Transmittal may be directed to the Information Agent as indicated in Instruction 8.

Delivery of this Letter of Transmittal to an address other than as set forth above will not constitute valid delivery.

This Letter of Transmittal is to be completed by stockholders if certificates for Shares (as defined below) are to be forwarded with this Letter of Transmittal or, unless an Agent's Message (as defined in Section 2 of the Offer to Purchase) is utilized, if tenders of Shares are to be made by book-entry transfer into the account of Mellon Investor Services LLC as Depositary (the "Depositary") at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 2 of the Offer to Purchase. Stockholders who tender Shares by book-entry transfer are referred to as "Book-Entry Stockholders." Holders of Shares whose certificates for those Shares (the "Stock Certificates") are not immediately available or who cannot deliver their Stock Certificates and all other required documents to the Depositary before the Expiration Date (as defined in Section 1 of the Offer to Purchase), or who cannot complete the procedure for book-entry

transfer on a timely basis, must tender their Shares according to the guaranteed delivery procedure set forth in Section 2 of the Offer to Purchase. See Instruction 2.

Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Depositary.

DESCRIPTION OF SHARES TENDERED

Name(s) and Address(s) of Registered Holder(s) (Please fill in, if blank, exactly as name(s) appear(s) on certificate(s))	Stock Certificate(s) and Share(s) Tendered (Attach additional signed list if necessary)		
	Stock Certificate Number(s)*	Total Number of Shares Represented by Certificate(s)*	Number of Shares Tendered**
	Total Shares		

* Need not be completed by Book-Entry Stockholders.

** Unless otherwise indicated, all Shares represented by certificates delivered to the Depositary will be deemed to have been tendered. See Instruction 4.

/ **Check here if Shares are being tendered by book-entry transfer made to the Depositary's account with the Book-Entry Transfer Facility and complete the following (only participants in the Book-Entry Transfer Facility may deliver Shares by book-entry transfer):**

Name of Tendering Institution_____

Account Number_____

Transaction Code Number_____

/ **Check here if Shares are being tendered pursuant to a Notice of Guaranteed Delivery previously sent to the Depositary and complete the following:**

Name(s) of Registered Holder(s)_____

Window Ticket Number (if any)_____

Date of Execution of Notice of Guaranteed Delivery_____

Name of Institution that Guaranteed Delivery_____

If delivered by book-entry transfer:
Book-Entry Transfer Facility Account Number:_____

Transaction Code Number:_____

Note: Signatures Must Be Provided Below
Please Read the Accompanying Instructions Carefully

Ladies and Gentlemen:

The undersigned hereby tenders to Rushmore Acquisition Corp., a Delaware corporation ("Merger Sub"), the above-described shares of common stock, including the associated rights to purchase preferred stock (collectively, the "Shares"), of Fargo Electronics, Inc., a Delaware corporation ("Fargo"), at a purchase price of $7.25 per Share, net to the seller in cash, without any interest, upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 3, 2001 and any amendments or supplements thereto (the "Offer to Purchase"), and in this Letter of Transmittal (which together with the offer to Purchase and any amendments or supplements hereto or thereto, collectively constitute the "Offer"), receipt of which is hereby acknowledged. The undersigned understands that Merger Sub reserves the right, with the written consent of Fargo, to transfer or assign, in whole or from time to time in part, the right to purchase all or any portion of the Shares tendered pursuant to the Offer.

Subject to, and effective upon, acceptance for payment for the Shares tendered with this Letter of Transmittal in accordance with the terms and conditions of the Offer, the undersigned sells, assigns and transfers to, or upon the order of, Merger Sub all right, title and interest in and to all of the Shares that are being tendered by this Letter of Transmittal and any and all noncash dividends, distributions (including additional Shares) and rights declared, paid or issued with respect to the tendered Shares on or after August 3, 2001 and payable or distributable to the undersigned on a date before the transfer to the name of Merger Sub or a nominee or transferee of Merger Sub on Fargo's stock transfer records of the Shares tendered with this Letter of Transmittal (collectively, "Distributions"). The undersigned appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to the Shares tendered by this Letter of Transmittal (and all Distributions) with full power of substitution (this power of attorney being deemed to be an irrevocable power coupled with an interest) to (a) deliver certificates evidencing such shares ("Stock Certificates") (and all Distributions) or transfer ownership of such Shares (and all Distributions) on the account books maintained by the Book-Entry Transfer Facility, together in either case with appropriate evidence of transfer and authenticity, to the Depositary for the account of Merger Sub, (b) present such Shares (and all Distributions) for transfer on the books of Fargo, and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and all Distributions), all in accordance with the terms and subject to the conditions of the Offer.

The undersigned irrevocably appoints designees of Merger Sub as the stockholder's proxy, each with full power of substitution to the full extent of the stockholder's rights with respect to the Shares tendered by the stockholder and accepted for payment by Merger Sub and with respect to all Distributions. This appointment will be effective when, and only to the extent that, Merger Sub accepts such Shares for payment. Upon acceptance for payment, all prior proxies given by the stockholder with respect to such Shares (and, if applicable, other shares and securities) will be revoked without further action, and no subsequent proxies may be given nor any subsequent written consents executed (and if given or executed, will not be deemed effective). The designees of Merger Sub will be empowered to exercise all voting and other rights of the stockholder as they in their sole discretion may deem proper at any annual or special meeting of Fargo's stockholders or any adjournment or postponement, by written consent in lieu of a meeting or otherwise. Merger Sub reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon Merger Sub's payment for such Shares, Merger Sub must be able to exercise full voting rights with respect to such Shares.

The undersigned represents and warrants that (a) the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered by this Letter of Transmittal (and all Distributions) and (b) when such Shares are accepted for payment by Merger Sub, Merger Sub will acquire good, marketable and unencumbered title to such Shares (and all Distributions), free and clear of all liens, restrictions, charges

and encumbrances, and the Shares will not be subject to any adverse claim. The undersigned, upon request, will execute and deliver any additional documents deemed by the Depositary or Merger Sub to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered by this Letter of Transmittal (and all Distributions). In addition, the undersigned shall promptly remit and transfer to the Depositary for the account of Merger Sub any and all Distributions in respect of the Shares tendered by this Letter of Transmittal, accompanied by appropriate documentation of transfer, and pending remittance or appropriate assurance of remittance, Merger Sub will be, subject to applicable law, entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price or deduct from the purchase price the amount or value of such Distribution, as determined by Merger Sub in its sole discretion.

All authority conferred or agreed to be conferred in this Letter of Transmittal shall not be affected by and shall survive the death or incapacity of the undersigned, and any obligation of the undersigned under this Letter of Transmittal shall be binding upon the heirs, personal representatives, executors, administrators, successors and assigns of the undersigned.

Tenders of Shares made pursuant to the Offer are irrevocable, except that Shares tendered pursuant to the Offer may be withdrawn at any time before the Expiration Date and, unless previously accepted for payment by Merger Sub pursuant to the Offer, may also be withdrawn at any time after October 1, 2001. See Section 3 of the Offer to Purchase.

The undersigned understands that tenders of Shares pursuant to any of the procedures described in Section 2 of the Offer to Purchase and in the instructions to this Letter of Transmittal will constitute a binding agreement between the undersigned and Merger Sub upon the terms and subject to the conditions set forth in the Offer, including the undersigned's representations that the undersigned owns the Shares being tendered.

Unless otherwise indicated in this Letter of Transmittal under "Special Payment Instructions," please mail the check for the purchase price and issue or return any certificate(s) for Shares not tendered or not accepted for payment (and accompanying documents, as appropriate) in the name(s) of the registered holder(s) appearing under "Description of Shares Tendered." Similarly, unless otherwise indicated in this Letter of Transmittal under "Special Delivery Instructions," please mail the check for the purchase price of all Shares purchased and all Stock Certificates evidencing Shares not tendered or not purchased (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under "Description of Shares Tendered." If both the Special Delivery Instructions and Special Payment Instructions are completed, please issue the check for the purchase price and issue or return any certificate(s) for Shares not tendered or accepted for payment in the name of, and deliver the check and/or certificate to, the person or persons so indicated. Unless otherwise indicated in this Letter of Transmittal under "Special Payment Instructions," please credit any Shares tendered hereby and delivered by book-entry transfer, but which are not purchased, by crediting the account at the Book-Entry Transfer Facility. The undersigned recognizes that Merger Sub has no obligation, pursuant to the Special Payment Instructions, to transfer any Shares from the name(s) of the registered holder(s) of the Shares if Merger Sub does not accept for payment any of the Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if certificate(s) for Shares not tendered or not accepted for payment and/or the check for the purchase price of Shares accepted for payment are to be issued in the name of someone other than the undersigned.

Issue / / check / / certificate(s) to:

Name _____

(Please Print)

Address _____

_____

_____

(Include Zip Code)

(Tax Identification or Social Security No.)

(See Substitute Form W-9 included herein)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if certificate(s) for Shares not tendered or not accepted for payment and/or the check for the purchase price of Shares accepted for payment are to be mailed to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Mail / / check / / certificate(s) to:

Name

(Please Print)

Address

(Include Zip Code)

(Tax Identification or Social Security No.)

(See Substitute Form W-9 included herein)

IMPORTANT

SIGN HERE AND COMPLETE
SUBSTITUTE FORM W-9 INCLUDED IN THIS LETTER OF TRANSMITTAL

(Signature(s) of Holder(s))

Dated: _____, 2001

(Must be signed by the registered holder(s) exactly as name(s) appear(s) on certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or another acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5.)

Name(s)

(Please Type or Print)

Capacity (full title)

Address

(Include Zip Code)

Area Code and Telephone No.

Tax Identification or Social Security Nos.

(PLEASE ALSO COMPLETE SUBSTITUTE FORM W-9 INCLUDED HEREIN)

Guarantee of Signature(s)

(See Instructions 1 and 5)

Authorized Signature

Name

(Please Type or Print)

Title

Name of Firm

Address

Dated:

_____, 2001

INSTRUCTIONS
Forming Part of the Terms and Conditions of the Offer

1. **Guarantee of Signatures.** No signature guarantee on this Letter of Transmittal is required (i) if this Letter of Transmittal is signed by the registered holder(s) of Shares tendered herewith (which term, for purposes of this document, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of such Shares), unless the holder has completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" included herein or (ii) if the Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a member in good standing of the Security Transfer Agent's Medallion Program, The New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (each referred to as an "Eligible Institution"). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. **Delivery of Letter of Transmittal and Certificates.** This Letter of Transmittal is to be completed either if Stock Certificates are to be forwarded herewith or, unless an Agent's Message is utilized, if tenders are to be made pursuant to the procedure for tender by book-entry transfer set forth in Section 2 of the Offer to Purchase. Stock Certificates evidencing all physically tendered shares, or timely confirmation (a "Book-Entry Confirmation") of a book-entry transfer of the Shares into the Depositary's account at the Book-Entry Transfer Facility of all shares delivered by book-entry transfer, as well as this Letter of Transmittal (or a facsimile of it), properly completed and duly executed, with any required signature guarantees or an Agent's Message in connection with a book-entry transfer, and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth herein before the Expiration Date. Stockholders whose Stock Certificates are not immediately available, or who cannot deliver their Stock Certificates and all other required documents to the

Depositary before the Expiration Date, or who cannot complete the procedure for delivery by book-entry transfer on a timely basis, may tender their Shares by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth in Section 2 of the Offer to Purchase. Pursuant to that procedure: (i) the tender must be made by or through an Eligible Institution; (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by Merger Sub (with any required signature guarantees) must be received by the Depositary before the Expiration Date; and (iii) the Stock Certificates (or a Book-Entry Confirmation) representing all tendered Shares, in proper form for transfer, in each case together with the Letter of Transmittal (or a facsimile of it), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depositary within three (3) Nasdaq National Market trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of Stock Certificates and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the option and risk of the tendering stockholder and the delivery will be deemed made only when actually received by the Depositary. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering stockholders, by execution of this Letter of Transmittal (or a facsimile of it), waive any right to receive any notice of the acceptance of their Shares for payment.

3. **Inadequate Space.** If the space provided in this Letter of Transmittal is inadequate, the Stock Certificate numbers and/or the number of Shares evidenced by such Stock Certificates and the number of Shares tendered should be listed on a separate signed schedule attached to this Letter of Transmittal.

4. **Partial Tenders.** *(Not Applicable to Book-Entry-Stockholders.)* If fewer than all the Shares evidenced by any Stock Certificate delivered to the Depositary are to be tendered hereby, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered." In these cases, new Stock Certificates for the Shares that were evidenced by your old Stock Certificates, but were not tendered by you, will be sent to you, unless otherwise provided in the box entitled "Special Delivery Instructions" on this Letter of Transmittal, as soon as practicable after the purchase of Shares pursuant to the Offer. All Shares represented by Stock Certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. **Signatures on Letter of Transmittal, Stock Powers and Endorsements.** If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Stock Certificates without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any of the tendered Shares are registered in different names on several Stock Certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of Shares.

If this Letter of Transmittal or any Stock Certificate or stock power is signed by a trustee, executor, administrator, attorney-in-fact, officer of a corporation or another acting in a fiduciary or representative capacity, that person should so indicate when signing, and proper evidence satisfactory to Merger Sub of the person's authority so to act must be submitted.

When this Letter of Transmittal is signed by the registered holder(s) of the Shares listed and transmitted hereby, no endorsements of Stock Certificates or separate stock powers are required unless payment of the purchase price for Shares is to be made to or certificates for Shares not tendered or purchased are to be issued in the name of a person other than the registered holder(s). Signatures on those Stock Certificates or stock powers must then be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Stock Certificate(s) listed, the Stock Certificate(s) must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the Stock Certificate(s). Signatures on those Stock Certificate(s) or stock powers must be guaranteed by an Eligible Institution.

6. **Stock Transfer Taxes.** Except as provided in this Instruction 6, Merger Sub will pay any stock transfer taxes with respect to the transfer and sale of the purchased Shares pursuant to the Offer. If, however, payment of the purchase price is to be made to, or (in the circumstances permitted hereby and if applicable) if certificates for Shares not tendered or purchased are to be registered in the name of, any person other than the registered holder(s), or if tendered certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of stock transfer taxes (whether imposed on the registered holder or that person) payable on account of the transfer to the person will be deducted from the purchase price if satisfactory evidence of the payment of those taxes, or exemption from them, is not submitted. Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Stock Certificate(s) evidencing Shares tendered hereby.

7. **Special Payment and Delivery Instructions.** If a check is to be issued in the name of, and/or Stock Certificates for Shares not tendered or not accepted for payment are to be issued or returned to, a person other than person(s) signing this Letter of Transmittal, or if a check and/or Stock Certificates are to be mailed to a person other than person(s) signing this Letter of Transmittal or to an address other than that shown in this Letter of Transmittal, the appropriate boxes on this Letter of Transmittal should be completed.

8. **Questions and Requests for Assistance or Additional Copies.** Questions or requests for assistance may be directed to the Information Agent at the address and telephone numbers set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may also be obtained from the Information Agent or brokers, dealers, commercial banks or trust companies.

9. **Waiver of Conditions.** The conditions of the Offer may be waived by Merger Sub in whole or in part at any time and from time to time in its sole discretion. See Section 1 of the Offer to Purchase.

10. **Substitute Form W-9.** Each tendering stockholder generally is required to provide the Depositary with a correct Taxpayer Identification Number ("TIN"), generally the stockholder's social security or federal employer identification number, on Substitute Form W-9 contained herein. Failure to provide the information on the form may subject the tendering stockholder to 31% (30.5% for payments made after August 6, 2001) federal income tax withholding on the payment of the purchase price for Shares. The box in Part I of the Substitute Form W-9 may be checked if the stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future. If the box in Part I is checked and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% (30.5% for payments made after August 6, 2001) of any purchase price payment made thereafter for Shares before a TIN is provided to the Depositary.

PAYER'S NAME: Mellon Investor Services LLC, as Depositary Agent

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SUBSTITUTE
FORM W-9

Department of the Treasury,
Internal Revenue Service

Payer's Request for Taxpayer Identification Number and Certification

PART I–Taxpayer Identification Number (TIN)
Department of the Treasury, Please enter your correct number in the appropriate box below. NOTE: If the account is more Internal Revenue Service than one name, see the chart on the enclosed form, "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9," for guidance on which number to enter.

Social Security Number Or Employer Identification Number

_____ _____

If you do not have a TIN, see the instructions "Obtaining a Number" on the enclosed

"Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9," and check the box below.

/ / TIN Applied For

PART II–For Payees Exempt from Backup Withholding (see "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9")

PART III Certification–Under penalties of perjury, I certify that:
(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and
(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest and dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

Certification Instructions. You must cross out Item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding, you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out Item (2).

Name_____
(Please Print) (If multiple holders or you have changed your name, see "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9")
Signature _____ Date _____

NOTE: FAILURE TO COMPLETE THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% (30.5% FOR PAYMENTS MADE AFTER AUGUST 6, 2001) OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED "GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9" FOR ADDITIONAL DETAILS.

IMPORTANT TAX INFORMATION

Under U.S. federal income tax law, a tendering stockholder whose tendered Shares are accepted for purchase generally is required by law to provide the Depositary (as payer) with the stockholder's correct TIN on Substitute Form W-9 contained herein. If the stockholder is an individual, the TIN is the stockholder's social security number. If the Depositary is not provided with the correct TIN, the stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to any stockholder with respect to Shares pursuant to the Offer may be subject to backup withholding. If a stockholder makes a false statement that results in no imposition of backup withholding, and there was no reasonable basis for making such statement, a $500 penalty may also be imposed by the IRS.

Certain stockholders (including, among others, corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign person to qualify as an exempt recipient, that stockholder must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status. These statements can be obtained from the Depositary. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions. Other exempt holders should furnish their TIN on Substitute W-9, write "Exempt" in Part II of that form, and sign and date the Substitute Form W-9.

If backup withholding applies, the Depositary is required to withhold 31% (30.5% for payments made after August 6, 2001) of any payments made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained.

Purpose of Substitute Form W-9

To prevent backup withholding on payments of the purchase price for Shares, each tendering stockholder generally is required to notify the Depositary of his or her correct TIN by completing the Substitute Form W-9 contained herein, certifying that the TIN provided on Substitute Form W-9 is correct (or that the stockholder is awaiting a TIN) and that the stockholder is not subject to backup withholding.

What Number to Give the Depositary

The stockholder is required to give the Depositary the TIN (e.g., social security number or employer identification number) of the record holder of the Shares tendered hereby. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

Important: If a stockholder desires to accept the Offer, this Letter of Transmittal (or a facsimile of it), together with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and all other required documents, must be received by the Depositary before the Expiration Date and either Stock Certificates must be received by the Depository or Shares must be delivered pursuant to the procedures for book-entry transfer, in each case before the Expiration Date.

The Information Agent for the Offer is:

Mellon Investor Services LLC

44 Wall Street, 7th Floor
New York, New York 10005
Call Toll Free: 800-261-8056

The Dealer Manager for the Offer is:

U.S. Bancorp Piper Jaffray
800 Nicollet Mall J1012005
Minneapolis, Minnesota 55402-7020
Call Toll Free: 800-333-6000

Notice of Guaranteed Delivery
to
Tender Shares of Common Stock
(Including the Associated Rights to Purchase Preferred Stock)
of
Fargo Electronics, Inc.
to
Rushmore Acquisition Corp.
a wholly-owned subsidiary of
ZEBRA TECHNOLOGIES CORPORATION

This Notice of Guaranteed Delivery, or one substantially equivalent to it, must be used to accept the Offer (as defined below) if certificates for Shares (as defined below) are not immediately available or the certificates for Shares and all other required documents cannot be delivered to Mellon Investor Services LLC, as Depositary (the "Depositary") before the expiration of the Offer or if the procedure for delivery by book-entry transfer cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mail to the Depositary. See Section 2. Procedure for Accepting the Offer and Tendering Shares of the Offer to Purchase (as defined below).

The Depositary for the Offer is:
Mellon Investor Services LLC

By Hand:	***By First Class or Express Mail:***	***By Overnight:***
Mellon Investor Services LLC 120 Broadway 13th Floor New York, NY 10271 Attn: Reorganization Dept.	Mellon Investor Services LLC P.O. Box 3301 South Hackensack, NJ 07606 Attn: Reorganization Dept.	Mellon Investor Services LLC 85 Challenger Road Mail Drop-Reorg Ridgefield Park, NJ 07660 Attn: Reorganization Dept.

By Facsimile Transmission:
FAX #: (201) 296-4293
FAX Confirmation #: (201) 296-4860

Delivery of this Notice of Guaranteed Delivery to an address other than as set forth above, or transmission of instructions via facsimile transmission other than as set forth above, will not constitute valid delivery.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" pursuant to the instructions thereto, the signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

The undersigned hereby tenders to Rushmore Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Zebra Technologies Corporation, a Delaware corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 3, 2001 (the "Offer to Purchase") and the related Letter of Transmittal (which together with the Offer to Purchase and any amendments or supplements thereto, collectively constitute the "Offer"), receipt of each of which is hereby acknowledged, the number of shares of common stock, including the associated rights to purchase preferred stock (collectively, the "Shares"), of Fargo Electronics, Inc., a Delaware

corporation, indicated below pursuant to the guaranteed delivery procedure set forth in Section 2 of the Offer to Purchase.

Signature(s)

Address(es)

Name(s) of Record Holder(s)

Please Type or Print

Zip Code

Number of Shares

Area Code and Tel. No(s).

Check the following box if Shares will be tendered by book-entry transfer: / /

Certificate No(s). (If Available)

The Depository Trust Company

Dated

, 2001

DTC Account Number:

Transaction Code Number:

GUARANTEE
(Not to be used for signature guarantee)

The undersigned, a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a member in good standing of the Security Transfer Agent's Medallion Program, The New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (each referred to as an "Eligible Institution"), hereby guarantees delivery to the Depositary, at one of its addresses set forth above, of either the certificates evidencing all tendered Shares, in proper form for transfer, or delivery of Shares pursuant to the procedure for book-entry transfer into the Depositary's account at The Depository Trust Company, in either case together with the Letter of Transmittal (or a facsimile of it), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase) in the case of a book-entry delivery, and any other required documents, all within three (3) Nasdaq National Market trading days after the date hereof.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal or an Agent's Message (as defined in the Offer to Purchase) and certificates representing Shares to the Depositary within the time period set forth above. Failure to do so could result in a financial loss to such Eligible Institution.

Name of Firm

Authorized Signature

Address

Name

Please Type or Print

Zip Code

Title

Dated

Area Code and Tel. No.

Note:

Do not send certificates for Shares with this form. Stock certificates should be sent with your Letter of Transmittal.

Offer to Purchase for Cash
All Outstanding Shares of
Common stock
(Including the Associated Rights to Purchase Preferred Stock)
of
Fargo Electronics, Inc.
at
$7.25 Net Per Share
by
Rushmore Acquisition Corp.
a wholly-owned subsidiary of
ZEBRA TECHNOLOGIES CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, AUGUST 30, 2001 UNLESS THE OFFER IS EXTENDED.

August 3, 2001

To: Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We are asking you to contact your clients for whom you hold shares of Common Stock of Fargo Electronics, Inc., a Delaware corporation ("Fargo"). Please bring to their attention as promptly as possible the offer being made by Rushmore Acquisition Corp. ("Merger Sub"), a Delaware corporation and a wholly-owned subsidiary of Zebra Technologies Corporation, a Delaware corporation ("Zebra"), to purchase all of the outstanding shares of Common Stock, including the associated rights to purchase preferred stock (collectively, the "Shares"), of Fargo, at a purchase price of $7.25 per Share, net to each seller in cash (the "Offer Price"), without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 3, 2001 (the "Offer to Purchase") and in the related Letter of Transmittal (together with the Offer to Purchase and any amendments or supplements thereto, the "Offer").

Enclosed for your information and for forwarding to your clients, for whose account you hold Shares registered in your name or in the name of your nominee, or hold Shares registered in their own names, are copies of the following documents:

1. Offer to Purchase dated August 3, 2001;

2. Letter of Transmittal to be used by holders of Shares in accepting the Offer. Facsimile copies of the Letter of Transmittal may be used to accept the Offer;

3. Notice of Guaranteed Delivery to be used to accept the Offer if certificates for Shares are not immediately available or the certificates for Shares and all other required documents cannot be delivered to the Depositary before the expiration of the Offer or if the procedure for book-entry transfer cannot be completed on a timely basis;

4. A letter to Fargo's stockholders from Gary R. Holland, Chairman, President and Chief Executive Officer of Fargo, together with a copy of Fargo's Solicitation/Recommendation Statement on Schedule 14D-9 which has been filed by Fargo with the Securities and Exchange Commission;

5. A form of letter which may be sent to each of your clients for whose account you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining the client's instructions with regard to the Offer;

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6. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and

7. Return envelope addressed to Mellon Investor Services LLC (the "Depositary").

The Offer is being made pursuant to the Acquisition Agreement dated as of July 31, 2001 (the "Acquisition Agreement"), by and among Zebra, Merger Sub and Fargo, pursuant to which, as soon as practicable following the consummation of the Offer and the satisfaction or waiver of certain conditions, Merger Sub will be merged with and into Fargo, with Fargo surviving the merger as a wholly-owned subsidiary of Zebra (the "Merger"). In the Merger, each outstanding Share (other than Shares owned by Merger Sub, Fargo, Zebra, or any subsidiary of Fargo or Zebra or Shares which (a) dissent from the Merger in accordance with the provisions of Section 262 of the Delaware General Corporation Law, as amended (the "DGCL"), and (b) are held by stockholders who have properly exercised and perfected appraisal rights under Section 262 of the DGCL) will be converted into the right to receive the Offer Price, without interest, as set forth in the Acquisition Agreement and described in the Offer to Purchase.

The Board of Directors of Fargo has unanimously (a) determined that the Offer and the Merger and the other transactions contemplated in the Acquisition Agreement are advisable and are fair to and in the best interests of Fargo and the holders of Shares, (b) recommended that holders of Shares tender their Shares in the Offer and, if the matter is submitted to the Fargo stockholders, approve the Merger, and (c) approved the Acquisition Agreement, the Offer and the Merger and the other transactions contemplated by the Acquisition Agreement.

The Offer is conditioned upon, among other things, (a) there being validly tendered and not withdrawn before the expiration of the Offer a number of Shares that would constitute a majority of the outstanding Shares on a fully diluted basis and (b) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

We are asking you to contact your clients for whom you hold Shares registered in your name (or in the name of your nominee) or who hold Shares registered in their own names. Please bring the Offer to their attention as promptly as possible. Merger Sub will not pay any fees or commissions to any broker or dealer or any other person (other than the Information Agent) for soliciting tenders of Shares pursuant to the Offer. You will be reimbursed by Merger Sub for customary mailing expenses incurred by you in forwarding any of the enclosed materials to your clients. Merger Sub will pay or cause to be paid any stock transfer taxes payable on the sale and transfer of Shares to it, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Your prompt action is requested. We urge you to contact your clients as promptly as possible. Please note that the Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Thursday, August 30, 2001 unless the Offer is extended.

In order to take advantage of the Offer, (1) a duly executed and properly completed Letter of Transmittal and any required signature guarantees, or an Agent's Message (as defined in the Offer to Purchase) in connection with book-entry delivery of Shares, and, if necessary, any other required documents should be sent to the Depositary and (2) either certificates representing the tendered Shares should be delivered to the Depositary, or the Shares should be tendered by book-entry transfer into the Depositary's account at one of the book-entry transfer facilities (as defined in the Offer to Purchase), all in accordance with the instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Shares wish to tender, but it is impracticable for them to forward their certificates or other required documents to the Depositary before the expiration of the Offer or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures specified in Section 2 of the Offer to Purchase.

Any inquiries you may have with respect to the Offer should be addressed to the Information Agent at the address and telephone number set forth on the back cover page of the Offer to Purchase.

Additional copies of the enclosed documents may be obtained from the Information Agent, at the address and telephone number set forth on the back cover of the Offer to Purchase.

Very truly yours,

RUSHMORE ACQUISITION CORP.

Nothing contained herein or in the enclosed documents shall constitute you or any person the agent of Merger Sub, Zebra, Fargo or the Depositary, or as agent of any affiliate of any of them, or authorize you or any other person to make any statements on behalf of any of them with respect to, or use any document in connection with, the Offer, except for statements expressly made in the Offer to Purchase or the Letter of Transmittal and the documents included herewith.

Offer to Purchase for Cash
All Outstanding Shares of Common Stock
(Including the Associated Rights to Purchase Preferred Stock)
of
Fargo Electronics, Inc.
at
$7.25 Net Per Share
by
Rushmore Acquisition Corp.
a wholly-owned subsidiary of
ZEBRA TECHNOLOGIES CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, AUGUST 30, 2001 UNLESS THE OFFER IS EXTENDED.

To Our Clients:

Enclosed for your consideration is an Offer to Purchase dated August 3, 2001 (the "Offer to Purchase") and the related Letter of Transmittal relating to an offer by Rushmore Acquisition Corp., a Delaware corporation ("Merger Sub") and a wholly-owned subsidiary of Zebra Technologies Corporation, a Delaware corporation ("Zebra"), to purchase all of the outstanding shares of Common Stock, including the associated rights to purchase preferred stock (collectively, the "Shares"), of Fargo Electronics, Inc., a Delaware corporation ("Fargo"), at a purchase price of $7.25 per Share, net to each seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase and in the related Letter of Transmittal (together with the Offer to Purchase and any amendments or supplements thereto, the "Offer"). Also enclosed is a letter to stockholders from Fargo, accompanied by Fargo's Solicitation/Recommendation on Schedule 14D-9.

We are the holder of record of Shares held by us for your account. A tender of your Shares can be made only by us as the holder of record and pursuant to your instructions. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares held by us for your account.

We request instructions as to whether you wish to have us tender on your behalf any or all of the Shares held by us for your account, pursuant to the terms and conditions set forth in the Offer to Purchase.

Your attention is invited to the following:

1. The Offer Price is $7.25 per Share, net to you in cash without any interest.

2. The Offer is being made for all of the outstanding Shares.

3. The Offer is being made pursuant to the Acquisition Agreement dated as of July 31, 2001 (the "Acquisition Agreement"), by and among Zebra, Merger Sub and Fargo, pursuant to which, as soon as practicable following the consummation of the Offer and the satisfaction or waiver of certain conditions, Merger Sub will be merged with and into Fargo, with Fargo surviving the merger as a wholly-owned subsidiary of Zebra (the "Merger"). In the Merger, each outstanding Share (other than Shares owned by Merger Sub, Fargo, Zebra, or any subsidiary of Fargo or Zebra or Shares which (a) dissent from the Merger in accordance with the provisions of Section 262 of the Delaware General Corporation Law, as amended (the "DGCL"), and (b) are held by stockholders who have properly exercised and perfected appraisal rights under Section 262 of the DGCL) will be converted into the right to receive the Offer Price, without interest, as set forth in the Acquisition Agreement and described in the Offer to Purchase.

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4. The Board of Directors of Fargo has unanimously (a) determined that the Offer and the Merger and the other transactions contemplated in the Acquisition Agreement are advisable and are fair to and in the best interests of Fargo and the holders of Shares, (b) recommended that

holders of Shares tender their Shares in the Offer and, if the matter is submitted to the Fargo stockholders, approve the Merger, and (c) approved the Acquisition Agreement, the Offer and the Merger and the other transactions contemplated by the Acquisition Agreement.

5. The Offer is conditioned upon, among other things, (a) there being validly tendered and not withdrawn before the expiration of the Offer a number of Shares that would constitute a majority of the outstanding Shares on a fully diluted basis as of the date the Shares are accepted for payment pursuant to the Offer and (b) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

6. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Thursday, August 30, 2001 unless the Offer is extended.

7. Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares pursuant to the Offer. However, backup withholding at a 31% (30.5% for payments made after August 6, 2001) rate may be required (unless an exemption is proved or the required tax identification information is provided). See Instruction 10 to the Letter of Transmittal.

The Offer is not being made to, nor will tenders be accepted from, or on behalf of, holders of Shares residing in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of that jurisdiction.

If you wish to have us tender any or all of the Shares held by us for your account, please instruct us by completing, executing and returning to us the instruction form contained in this letter. If you authorize us to tender your Shares, all of your Shares will be tendered unless otherwise specified in the instruction form.

Please forward your instruction form to us as soon as possible to allow us ample time to tender your Shares on your behalf prior to the expiration of the Offer.

Instructions with Respect to the
Offer to Purchase
All Outstanding Shares of Common Stock
of
Fargo Electronics, Inc.
by
Rushmore Acquisition Corp.
a wholly-owned subsidiary of
ZEBRA TECHNOLOGIES CORPORATION

The undersigned acknowledge(s) receipt of your letter enclosing the Offer to Purchase dated August 3, 2001 (the "Offer to Purchase") and the related Letter of Transmittal pursuant to an offer by Rushmore Acquisition Corp., a Delaware corporation, to purchase all of the outstanding shares of Common Stock, including the associated rights to purchase preferred stock (the "Shares"), of Fargo Electronics, Inc., a Delaware corporation, at a purchase price of $7.25 per Share, net to each seller in cash, without interest, upon the terms and subject to the conditions as set forth in the Offer to Purchase and the related Letter of Transmittal.

This will instruct you to tender the number of Shares indicated below (or, if no number is indicated below, all Shares which are held by you for the account of the undersigned), upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal furnished to the undersigned.

Number of Shares to be Tendered: SIGN HERE

_____ Shares*

Signature(s)

Please print name(s)

*Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.

Address

Area Code and Telephone Number

Tax Identification or Social Security Number(s)

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number to Give the Payer.−Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

	For this type of Account:	Give the SOCIAL SECURITY or EMPLOYER IDENTIFICATION number of −
1.	Individual	The individual
2.	Two or more individuals (joint account)	The account owner of the account or, if combined funds, the first individual on the account(1)
3.	Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
4a.	The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b.	So-called trust account that is not a legal or valid trust under State Law	The actual owner(1)
5.	Sole proprietorship	The owner(3)
6.	A valid trust, estate, or pension trust	The legal entity(4)
7.	Corporate	The corporation
8.	Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
9.	Partnership	The partnership
10.	A broker or registered nominee	The broker or nominee
11.	Account with the Department of Agriculture in the public entity name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments.	The public entity

(1)

List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.

(2)

Circle the minor's name and furnish the minor's social security number.

(3)

You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or your employer identification number (if you have one).

(4)

List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

Note: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

Obtaining a Number

If you do not have a taxpayer identification number or you do not know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

Payees Exempt from BackupWithholding

Payees specifically exempted from backup withholding include the following:

An organization exempt from tax under section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), an individual retirement account or a custodial account under section 403(b)(7), if the account satisfies the requirements of section 401(f)(2).

The United States or any agency or instrumentality thereof.

A state, the District of Columbia, a possession of the United States, or any political subdivision or instrumentality thereof.

A foreign government or any political subdivision, agency or instrumentality thereof.

An international organization or any agency or instrumentality thereof.

Other payees that may be exempt from backup withholding include:

A corporation.

A financial institution.

A dealer in securities or commodities registered in the U.S., the District of Columbia or a possession of the U.S.

A futures commission merchant registered with the Commodity Futures Trading Commission.

A real estate investment trust.

A common trust fund operated by a bank under section 584(a).

An entity registered at all times during the tax year under the Investment Company Act of 1940.

A foreign central bank of issue.

A middleman known in the investment community as a nominee or who is listed in the most recent publication of the American Society of Corporate Secretaries, Inc. Nominee List.

A trust exempt from tax under section 664 as described in section 4947.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

Payments to nonresident aliens subject to withholding under section 1441.

Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident alien partner.

Payments of patronage dividends where the amount received is not paid in money.

Payments made by certain foreign organizations.

Section 404(k) payments made by an ESOP.

Payments of interest not generally subject to backup withholding include the following:

Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.

Payments of tax-exempt interest (including exempt-interest dividends under section 852).

Payments described in section 6049(b)(5) to nonresident aliens.

Payments on tax-free covenant bonds under section 1451.

Payments made by certain foreign organizations.

Mortgage interest paid to you.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding.

FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART II OF THE FORM, SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYER.

Certain payments other than interest, dividends, and patronage interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding.

PRIVACY ACT NOTICE.−Section 6109 of the Code requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation and to cities, states, and the District of Columbia to carry out their tax laws. You must provide your taxpayer identification number whether or not you are required to file tax returns. Payers must generally withhold 31% (30.5% for payments made after August 6, 2001) of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.−If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil Penalty for False Information With Respect to Withholding.−If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

Criminal Penalty for Falsifying Information−Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

QuickLinks

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Offer is made solely by the Offer to Purchase, dated August 3, 2001, and the related Letter of Transmittal and is being made to all holders of Shares. However, the Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance of the Offer would not be in compliance with the laws of that jurisdiction. In any jurisdiction the securities laws of which require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed made on behalf of Merger Sub by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash
All Outstanding Shares of Common Stock
(Including the Associated Rights to Purchase Preferred Stock)
of
FARGO ELECTRONICS, INC.
at
$7.25 Net Per Share
by
Rushmore Acquisition Corp.
a wholly-owned subsidiary of
ZEBRA TECHNOLOGIES CORPORATION

Rushmore Acquisition Corp., a Delaware corporation ("Merger Sub") and a wholly-owned subsidiary of Zebra Technologies Corporation, a Delaware corporation ("Zebra"), is offering to purchase all outstanding shares of common stock, including the associated rights to purchase preferred stock (collectively, the "Shares"), of Fargo Electronics, Inc., a Delaware corporation ("Fargo"), at $7.25 per Share, net to the seller in cash (the "Offer Price"), without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated August 3, 2001, and in the related Letter of Transmittal (together with the Offer to Purchase and any amendments or supplements thereto, the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, AUGUST 30, 2001, UNLESS EXTENDED.

The Offer is being made pursuant to the Acquisition Agreement dated as of July 31, 2001 (the "Acquisition Agreement"), by and among Zebra, Merger Sub and Fargo, pursuant to which, as soon as practicable following the consummation of the Offer and the satisfaction or waiver of certain conditions, Merger Sub will be merged with and into Fargo, with Fargo surviving the merger as a wholly-owned subsidiary of Zebra (the "Merger"). In the Merger, each outstanding Share (other than Shares owned by Merger Sub, Fargo, Zebra, or any subsidiary of Fargo or Zebra or Shares which (a) dissent from the Merger in accordance with the provisions of Section 262 of the Delaware General Corporation Law, as amended (the "DGCL"), and (b) are held by stockholders who have properly exercised and perfected appraisal rights under Section 262 of the DGCL) will be converted into the right to receive the Offer Price, without interest, as set forth in the Acquisition Agreement and described in the Offer to Purchase.

The Offer is conditioned upon, among other things, (a) there being validly tendered and not withdrawn before the expiration of the Offer a number of Shares that would constitute a majority of the outstanding Shares on a fully diluted basis as of the date the Shares are accepted for payment pursuant to the Offer and (b) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

The Board of Directors of Fargo has unanimously (1) determined that the Offer and the Merger and the other transactions contemplated in the Acquisition Agreement are advisable and are fair to and in the best interests of Fargo and the holders of Shares, (2) recommended that holders of Shares tender their Shares in the Offer and, if the matter is submitted to the Fargo stockholders, approve the Merger, and (3) approved the Acquisition Agreement, the Offer and the Merger and the other transactions contemplated by the Acquisition Agreement.

Zebra has entered into stockholder agreements dated as of July 31, 2001 with all of Fargo's directors and executive officers and several entities affiliated with TA Associates, Inc. and St. Paul Venture Capital, Inc. pursuant to which these individual and entities have, among other things, agreed to validly tender (and not withdraw) all of their Shares into the Offer. On July 31, 2001, these individuals and entities owned 5,253,350 Shares, constituting approximately 44.68% of the then outstanding Shares.

For purposes of the Offer, Merger Sub will be deemed to have accepted for payment, and thereby purchased, Shares properly tendered to Merger Sub and not withdrawn as, if and when Merger Sub gives oral or written notice to Mellon Investor Services LLC (the "Depositary") of Merger Sub's acceptance for payment of such Shares. Upon the terms and subject to the conditions of the Offer, payment for Shares purchased pursuant to the Offer will be made by deposit of the purchase price for the Shares with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from Merger Sub and transmitting payment to tendering stockholders. In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (a) certificates for the Shares or timely confirmation of book-entry transfer of the Shares into the Depositary's account at The Depository Trust Company ("DTC") pursuant to the procedures set forth in Section 2 of the Offer to Purchase, (b) a properly completed and duly executed Letter of Transmittal (or facsimile of it) with any required signature guarantees or, in the case of book-entry transfer, an Agent's Message (as defined in the Offer to Purchase), and (c) any other documents required by the Letter of Transmittal. The per share consideration paid to any holder of Shares pursuant to the Offer will be the highest per Share consideration paid to any other holder of Shares pursuant to the Offer. Under no circumstances will interest be paid by Merger Sub on the purchase price of the Shares, regardless of any extension of the Offer or any delay in making payment.

The term "Expiration Date" means 12:00 Midnight, New York City time, on Thursday, August 30, 2001, unless and until Merger Sub, in its sole discretion (but subject to the terms of the Acquisition Agreement), shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by Merger Sub, shall expire.

Merger Sub expressly reserves the right, in its reasonable discretion, to terminate the Offer and not accept for payment or pay for any Shares not theretofore accepted for payment or paid for or, subject to applicable law, to postpone payment for Shares upon the occurrence of any of the conditions specified in the Offer to Purchase by giving oral or written notice of such termination or postponement to the Depository and making a public announcement thereof.

Merger Sub also expressly reserves the right, in its sole discretion (but subject to the terms of the Acquisition Agreement), at any time or from time to time, and regardless of whether or not any of the events set forth in Section 15 of the Offer to Purchase shall have occurred or shall have been determined by Merger Sub to have occurred, to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and the payment for, any Shares, by giving oral or written notice of the extension to the Depositary. Merger Sub shall not have any obligation to pay interest on the purchase price for tendered Shares in the event Merger Sub exercises its right to extend the period of time during which the Offer is open. There can be no assurance that Merger Sub will exercise its right to extend the Offer. Any extension will be followed by a public announcement of the

extension no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. During any extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the right of a tendering stockholder to withdraw the stockholder's Shares.

Merger Sub may, but is not required to, subject to the terms of the Acquisition Agreement, provide a subsequent offering period in accordance with Rule 14d-11 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), following the Expiration Date. A subsequent offering period is an additional period of time from three to 20 business days in length, beginning after Merger Sub purchases Shares tendered in the Offer, during which time stockholders may tender, but not withdraw, their Shares and receive the Offer Price. Under Rule 14d-7 of the Exchange Act, no withdrawal rights apply to Shares tendered during a subsequent offering period, and no withdrawal rights apply during the subsequent offering period with respect to Shares tendered in the Offer and accepted for payment.

Except as otherwise provided below, tenders of Shares are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time before the Expiration Date and, unless earlier accepted for payment and paid for by Merger Sub pursuant to the Offer, may also be withdrawn

at any time on or after October 1, 2001. For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary as set forth on the back cover of the Offer to Purchase and must specify the name of the person having tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares. If certificates for Shares have been delivered or otherwise identified to the Depositary, then, before the physical release of the certificates, the serial numbers shown on the certificates must be submitted to the Depositary and, unless the Shares have been tendered by an Eligible Institution (as defined in Section 2 of the Offer to Purchase), the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been delivered pursuant to the procedures for book-entry transfer as set forth in Section 2 of the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at DTC to be credited with the withdrawn Shares and otherwise comply with DTC's procedures. Withdrawals of tenders of Shares may not be rescinded, and any Shares properly withdrawn will be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described in Section 2 of the Offer to Purchase at any time before the Expiration Date.

The Offer to Purchase and the related Letter of Transmittal and other relevant materials will be mailed to record holders of Shares and furnished to brokers, dealers, banks, trust companies and similar persons whose names, or the names of whose nominees, appear on Fargo's stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

In general, the receipt of cash by holders of Shares pursuant to the Offer and/or the Merger will constitute a taxable transaction for United States federal income tax purposes. Because the tax consequences to a particular holder may differ based on that holder's particular circumstances, each holder should consult his, her or its own tax advisor regarding the tax consequences of the Offer and the Merger.

The information required to be disclosed by Rule 14d-6(d)(1) under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

The Offer to Purchase and the related Letter of Transmittal contain important information and should be read in their entirety before any decision is made with respect to the Offer.

Requests for copies of the Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent as set forth below, and copies will be furnished promptly at Merger Sub's expense.

The Information Agent for the Offer is:

Mellon Investor Services LLC
44 Wall Street, 7th Floor
New York, New York 10271

For information, please call:
Toll Free: (800) 261-8056

The Dealer Manager for the Offer is:

U.S. Bancorp Piper Jaffray
800 Nicollet Mall J1012005

August 3, 2001

Exhibit 99.(d)(1)

ACQUISITION AGREEMENT

Among

ZEBRA TECHNOLOGIES CORPORATION

RUSHMORE ACQUISITION CORP.

and

FARGO ELECTRONICS, INC.

Dated as of
July 31, 2001

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EXHIBITS

COMPANY DISCLOSURE LETTER

ACQUISITION AGREEMENT

This **ACQUISITION AGREEMENT**, dated as of July 31, 2001 (the "**Agreement**"), is among Zebra Technologies Corporation, a Delaware corporation ("**Parent**"), Rushmore Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Parent ("**Merger Sub**"), and Fargo Electronics, Inc., a Delaware corporation (the "**Company**").

INTRODUCTION

The Boards of Directors of Parent, Merger Sub and the Company have approved and deem it advisable and in the best interests of their respective stockholders upon the terms and subject to the conditions set forth herein, (i) for Merger Sub to commence a cash tender offer to purchase all outstanding shares of Company Common Stock and (ii) following the cash tender offer, to merge Merger Sub with and into the Company.

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

In consideration of the mutual covenants, representations, warranties and agreements contained herein, and intending to be legally bound hereby, Parent, Merger Sub and the Company agree as follows:

ARTICLE 1

DEFINITIONS

When used in this Agreement, and in addition to the other terms defined herein, the following terms shall have the meanings specified:

"**Acquisition Proposal**" shall have the meaning set forth in Section 7.8(a).

"**Affiliate**" shall mean, in relation to any party hereto, any entity directly or indirectly controlling, controlled by or under common control with such party.

"**Audited Company Financial Statements**" shall mean the audited Balance Sheets, Statements of Operations, Statements of Changes in Stockholders' Equity (Deficiency) and Statements of Cash Flows of the Company, and the related notes thereto, as of, and for the fiscal years ended, December 31, 1998, 1999 and 2000, each of which is included in the Company SEC Documents.

"**Buildings**" shall mean all buildings, fixtures, structures and improvements leased or owned by the relevant Person.

"**Business Day**" shall mean any day other than a Saturday, Sunday or a U.S. Federal holiday and shall consist of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

"**Closing**" shall have the meaning set forth in Section 3.7.

"**Closing Date**" shall have the meaning set forth in Section 3.7.

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

"**Commercial Software**" shall have the meaning set forth in Section 5.12(a).

"**Company Common Stock**" shall mean shares of common stock, $.01 par value per share, of the Company.

"**Company Disclosure Letter**" shall have the meaning set forth in *Article 5*.

"**Company ERISA Affiliate**" shall mean any Person which together with the Company would be deemed a "single employer" within the meaning of Section 4001 of ERISA.

"**Company Financial Statements**" shall mean the Audited Company Financial Statements and the Unaudited Company Financial Statements.

"**Company Rights**" shall mean those "Rights" issued pursuant to the Company Rights Agreement.

"**Company Rights Agreement**" shall mean the Rights Agreement, dated February 9, 2000, between the Company and Norwest Bank, N.A., as agent.

"**Company SEC Documents**" shall have the meaning set forth in Section 5.5(a).

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

"**Confidentiality Agreement**" shall have the meaning set forth in Section 5.30.

"**Constituent Corporations**" shall mean the Company and Merger Sub.

"**Continuing Employee**" shall have the meaning set forth in Section 7.11.

"**Consummation of the Offer**" shall have the meaning set forth in Section 2.4.

"**Contract**" shall mean any contract, agreement or obligation (whether oral or written) to which the relevant Person is a party or by which the relevant Person or any of its assets are bound, including any loan, bond, mortgage, indenture, lease, instrument, franchise or license.

"**DGCL**" shall mean the General Corporation Law of the State of Delaware.

"**Disbursing Agent**" shall have the meaning set forth in Section 4.2(a).

"**Dissenting Shares**" shall mean shares of Company Common Stock which (a) dissent from the Merger in accordance with the provisions of the Section 262 of DGCL and (b) are held by Stockholders who have properly exercised and perfected appraisal rights under Section 262 of DGCL.

"**ERISA**" shall mean the Employee Retirement Income Security Act of 1974 as in effect on the date hereof.

"**Effective Time**" shall have the meaning set forth in Section 3.2.

"**Employee Benefit Plan**" shall mean any pension plan, profit sharing plan, bonus plan, incentive compensation plan, stock purchase plan, stock ownership plan, stock option plan, stock appreciation plan, employee benefit plan, employee benefit policy, retirement plan, material fringe benefit program, insurance plan, severance plan, disability plan, health care plan, sick leave plan, death benefit plan, or any other material plan, program or policy to provide retirement income, fringe benefits or other benefits to former or current employees of the relevant Person or any employment, severance or similar contract or arrangement (whether or not written) which contains change in control provisions or pending change in control provisions (including any employee pension benefit plan, employee welfare plan or multi-employer plan, as each term is defined in ERISA).

"**Environmental Laws**" shall mean any Federal, state, local or foreign statutes, Laws, rules, ordinances, codes, policies, rules of common law and regulation relating to pollution or protection of human or worker health or safety or the environment (including ambient air, surface water, ground water, land surface or subsurface strata), including Laws and regulations relating to Environmental Releases or threatened Environmental Releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as in effect on the date hereof.

"**Environmental Release**" shall mean any release, spill, emission, leaking, injection, deposit, disposal, discharge, dispersal, leaching or migration into the atmosphere, soil, surface water or groundwater.

"**Equipment**" shall mean all machinery, equipment, boilers, furniture, fixtures, motor vehicles, furnishings, parts, tools, office equipment, computers and other items of tangible personal property owned or used by the relevant Person.

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"**Existing Insurance Policies**" shall mean all of the insurance policies currently in effect or owned by the relevant Person since December 31, 2000.

"**Existing Options**" shall mean any of the following relating to any capital stock or other equity interest of the relevant Person, and as described in Section 5.2 of the Company Disclosure Letter: (a) options or warrants (whether vested or not) to purchase or other rights (including registration rights), agreements, arrangements or commitments of any character to which such relevant Person is a party to grant, issue or sell any shares of the capital stock or other equity or phantom equity interests of such relevant Person, by sale, lease, license or otherwise; (b) rights to subscribe for or purchase any shares of the capital stock or other equity or phantom equity interests of such relevant Person; (c) Contracts to which such relevant Person is a party with respect to any right to purchase, put or call for any shares of the capital stock or other equity or phantom equity interests of such relevant Person; or (d) stock appreciation rights, limited stock appreciation rights, performance shares or similar equity based rights of such relevant Person.

"**Existing Permits**" shall mean those permits, licenses, approvals, qualifications, authorizations and registrations required by Law which the relevant Person has or holds.

"**Existing Plans**" shall mean all Employee Benefit Plans of the relevant Person.

"**GAAP**" shall mean generally accepted accounting principles consistently applied.

"**Governmental Entity**" shall have the meaning set forth in Section 5.26.

"**Hazardous Materials**" shall mean: (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, and transformers or other equipment that contain dielectric fluid

containing polychlorinated biphenyls above regulated levels and radon gas; and (b) any chemicals, materials or substances which are now defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," or words of similar import, under any Environmental Law; and (c) any other chemical, material, substance or waste, exposure to which as of the date hereof is prohibited, limited or regulated by any Governmental Entity.

"**HSR Act**" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"**Indebtedness**" shall mean all liabilities or obligations of the relevant Person, whether primary or secondary or absolute or contingent, in excess of $100,000 as to any single item: (a) for borrowed money, (b) evidenced by notes, bonds, debentures or similar instruments or (c) secured by Liens on any assets of the relevant Person.

"**Indemnified Liabilities**" shall have the meaning set forth in Section 7.12(b).

"**Indemnified Party(ies)**" shall have the meaning set forth in Section 7.12(b).

"**Independent Directors**" shall have the meaning set forth in Section 2.3(a).

"**Intangible Assets**" shall mean (a) any invention, United States and foreign patents, pending patent applications, mask works, trade names, trade dress, logos, domain names, corporate names, trademarks, service marks, trademark registrations, service mark registrations, pending trademark applications, pending service mark applications, registered or unregistered copyrights, and pending

copyright applications, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith; (b) software; and (c) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, schematics, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals).

"**Investment**" by the relevant Person shall mean (a) any transfer or delivery of cash, stock or other property or value by such relevant Person in exchange for equity, debt, preferred stock, partnership interest, participation or any other security of another Person; (b) any loan or capital contribution to or in any other Person; (c) any guaranty of any obligation to pay money to, or perform an obligation, of any other Person; and (d) any investments in any property or assets other than properties and assets acquired and used in the ordinary course of the business of such relevant Person.

"**Knowledge**" shall mean, with respect to Parent and Merger Sub, the actual knowledge of the Chief Executive Officer or the Chief Financial Officer of Parent, and, with respect to the Company, the actual knowledge of the Chief Executive Officer, the Chief Financial Officer, the inside General Counsel, the Vice President of Sales, the Vice President of Engineering and Manufacturing or the Director of Finance of the Company.

"**Law**" shall mean any foreign, Federal, state or local governmental law, rule, regulation or requirement, including any rules, regulations and orders promulgated thereunder and any orders, decrees, consents or judgments of any governmental regulatory agencies and courts having the force of law, other than any Environmental Laws.

"**Letter of Transmittal**" shall have the meaning set forth in Section 4.2(b).

"**Lien**" shall mean, with respect to any asset (real, personal or mixed): (a) any mortgage, pledge, lien, easement, lease, title defect or imperfection or any other form of security interest, whether imposed by Law or by Contract; and (b) the interest of a vendor or lessor under any conditional sale agreement, financing lease or other title retention agreement relating to such asset.

"**Material Adverse Effect**" when used with respect to any party hereto means any effect, change, event, circumstance or condition which when considered with all other effects, changes, events, circumstances or conditions has materially and adversely affected or would reasonably be expected to materially and adversely affect (i) the business, assets, results of operations or financial condition of such party, in each case including each of its Subsidiaries together with it taken as a whole, as the case may be, or (ii) the ability of such party to consummate any of the transactions contemplated by, or to perform its obligations under, this Agreement; *provided, however,* that there shall be excluded from the definition of Material Adverse Effect any actual or reasonably expected material and adverse effect on the business, assets, results of operations or financial condition of the Company, or any loss by the Company of any of its exclusive distributorship and reseller arrangements that is attributable to, or results from, (x) the public announcement of the transactions contemplated hereby or (y) any delay in the consummation of the transactions contemplated hereby due to the extension of the applicable waiting period under the HSR Act beyond the initial 15-day waiting period.

"**Maximum Premium**" shall have the meaning set forth in Section 7.12(c).

"**Merger**" shall have the meaning set forth in Section 3.1.

"**Merger Consideration**" shall have the meaning set forth in Section 4.2(c).

"**Minimum Condition**" shall have the meaning set forth in Section 2.1(a).

"**Minnesota Takeover Disclosure Act**" means Chapter 80B of the Minnesota Statutes.

"**New Product Information**" shall have the meaning set forth in section 5.33.

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

"**Offer Documents**" shall have the meaning set forth in Section 2.1(b).

"**Option Cancellation Time**" shall have the meaning set forth in Section 4.4(a).

"**Parent SEC Documents**" shall have the meaning set forth in Section 6.6(a).

"**Party**" shall mean each of Parent, Merger Sub and the Company.

"**Payment Fund**" shall have the meaning set forth in Section 4.2(a).

"**Permitted Lien**" means (i) any Lien for Taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, (ii) any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent and (iii) any minor imperfection of title or similar Lien which individually or in the aggregate with other such Liens does not materially impair the value of the property subject to such Lien or the use of such property in the conduct of the business of the Company, Parent or any of their respective subsidiaries.

"**Person**" shall mean a natural person, corporation, limited liability company, association, joint stock company, trust, partnership, governmental entity, agency or branch or department thereof, or any other legal entity.

"**Proxy Statement**" shall have the meaning set forth in Section 7.4(a).

"**Qualified Person**" shall have the meaning set forth in Section 2.3(a).

"**Real Estate**" shall mean the parcels of real property owned or leased by the relevant Person.

"**Returns**" shall have the meaning set forth in Section 5.16(a).

"**Schedule 14D-9**" shall have the meaning set forth in Section 2.2.

"**Schedule TO**" shall have the meaning set forth in Section 2.1(b).

"**Scheduled Contracts**" shall have the meaning set forth in Section 5.13.

"**SEC**" shall mean the Securities and Exchange Commission.

"**Securities Act**" shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"**Special Meeting**" shall have the meaning set forth in Section 7.3(a).

"**Stockholders**" shall mean all Persons owning any shares of Company Common Stock.

"**Stock Market**" shall mean the Nasdaq National Market.

"**Superior Proposal**" shall have the meaning set forth in Section 7.8(b).

"**Subsidiary**" shall mean any corporation, at least a majority of the outstanding capital stock of which (or any class or classes, however designated, having ordinary voting power for the election of at least a majority of the board of directors of such corporation) shall at the time be owned by the relevant Person directly or through one or more corporations which are themselves Subsidiaries.

"**Surviving Corporation**" shall have the meaning set forth in Section 3.1.

"**Takeover Law**" shall have the meaning set forth in Section 5.31

"**Tax**" or "**Taxes**" shall mean any Federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"**Unaudited Company Financial Statements**" shall mean the unaudited Balance Sheets, Statements of Operations and Statements of Cash Flows of the Company, and the related notes thereto, as of, and for the quarter ended, March 31, 2001, each of which is included in the Company SEC Documents.

ARTICLE 2

THE OFFER

2.1 The Offer.

(a) As promptly as practicable, but in no event later than three Business Days after the execution of this Agreement, Parent shall cause Merger Sub to commence, and Merger Sub shall commence, within the meaning of Rule 14d-2 under the Exchange Act, an offer to purchase for cash (the "**Offer**") all of the issued and outstanding shares of the Company Common Stock, at a price of $7.25 per share, net to the seller in cash, subject to the tender of not less than a majority of the shares of the Company Common Stock outstanding on a fully-diluted basis (i.e., after giving effect to the conversion or exercise of all outstanding Existing Options for Company Common Stock, whether or not exercised or converted at the time of determination) (the "**Minimum Condition**"). The obligation of Merger Sub to commence the Offer and to accept for payment and to pay for any shares tendered shall be subject to the conditions set forth in Annex I hereto. Subject to the Minimum Condition and the conditions set forth in Annex I hereto, Parent shall cause Merger Sub to accept for payment and pay for shares tendered as soon as Merger Sub is legally permitted to do so under applicable Law, upon the expiration date or any extension thereof as provided below. Neither Parent nor Merger Sub shall, without the prior written consent of the Company, decrease the Offer price or number of shares tendered for, change the form of consideration payable in the Offer, increase the Minimum Condition, impose additional conditions on the Offer, change the expiration date of the Offer, except as permitted by this Section 2.1, or amend any other term or condition of the Offer in any manner adverse to the holders of the shares of Common Stock (other than with respect to insignificant changes or amendments). Without the consent of the Company, Parent and Merger Sub shall have the right to extend the expiration date of the Offer (which shall initially be 12:00 midnight Eastern time on the date that is the 20th Business Day from the commencement date of the Offer, pursuant to Rule 14d-2 under the Exchange Act) from time to time for one or more additional periods of not more than ten Business Days (or such longer period as may be approved by the Company), (i) if, immediately before the scheduled or extended expiration date of the Offer, any of the conditions to the Offer set forth in Annex I hereto shall not have been satisfied or, to the extent permitted, waived, until such conditions are satisfied or waived, (ii) for any period required by any rule, regulation, interpretation or position of the SEC applicable to the Offer or (iii) for any period required by applicable Law. In addition, if, at the scheduled or extended expiration date of the Offer, conditions to the Offer have been satisfied or waived and the Minimum Condition has been satisfied but Company Common Stock tendered and not withdrawn pursuant to the Offer constitutes less than 90% of the outstanding Company Common Stock, without the consent of the Company, Parent and Merger Sub shall (subject to applicable law) have the right to provide for a "subsequent offering period" (as contemplated by Rule 14d-11 under the Exchange Act) for up to 20 Business Days after Merger Sub's acceptance for payment and payment of the shares of Company Common Stock then tendered and not withdrawn pursuant to the Offer.

(b) As soon as practicable after the Offer is commenced, Parent and Merger Sub shall file with the SEC a Tender Offer Statement on Schedule TO with respect to the Offer (together with all amendments and supplements thereto and including the exhibits thereto, the "**Schedule TO**"). The

Schedule TO will include, as exhibits, the Offer to Purchase and a form of letter of transmittal and summary advertisement (collectively, together with any amendments and supplements thereto, the "**Offer Documents**") with respect to the Offer. Each of Parent and Merger Sub further agrees to take all steps necessary to cause the Schedule TO and the Offer Documents to be filed with the SEC and to cause the Offer Documents to be disseminated to the Stockholders to the extent required by applicable Federal securities laws. Each of Parent and Merger Sub, on the one hand, and the Company, on the other hand, agrees promptly to correct any information provided by it for use in the Schedule TO and the Offer Documents if and to the extent that it shall have become false or misleading in any material respect, and Merger Sub further agrees to take all steps necessary to cause the Schedule TO and the Offer Documents as so corrected to be filed with the SEC and to cause the Offer Documents as so corrected to be disseminated to the Stockholders to the extent required by applicable Federal securities laws. The Company and its counsel shall be given the opportunity to review the Schedule TO and the Offer Documents before they are filed with the SEC. In addition, Parent and Merger Sub agree to promptly provide, in writing, to the Company and its counsel, any comments Parent, Merger Sub or their counsel may receive from time to time from the SEC or its staff with respect to the Schedule TO and the Offer Documents.

2.2 ***Company Actions.*** The Company consents to the Offer and represents that (a) its Board of Directors (at a meeting duly called and held) consents to the Offer and has resolved to recommend acceptance of the Offer and approval and adoption of this Agreement by its Stockholders and (b) Raymond James & Associates has delivered to the Board of Directors of the Company its opinion that the consideration to be paid in the Offer and the Merger is fair to the holders of Common Stock from a financial point of view. The Company agrees to file with the SEC, contemporaneously with the commencement of the Offer, a Solicitation/Recommendation Statement on Schedule 14D-9 (the "**Schedule 14D-9**"), containing such recommendations. In connection with the Offer, the Company will promptly furnish Merger Sub with

mailing labels, security position listings and any available listing or computer file containing the names and addresses of the record holders of Common Stock as of a recent date and shall furnish Merger Sub with such information and assistance as Merger Sub or its agents may reasonably request in communicating the Offer to the Stockholders of the Company, including any additional information necessary for compliance with the Minnesota Takeover Disclosure Act. Subject to the requirements of law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Merger, Parent and Merger Sub shall, and shall cause their respective officers, employees and agents to, hold the information contained in any such labels and lists and the additional information referred to in the preceding sentence in confidence, use the same only in connection with the Offer and the Merger, and, if this Agreement is terminated, deliver or cause to be delivered to the Company all copies of such items and information extracted therefrom in their possession or under their control.

2.3 ***Directors***.

(a) Promptly upon the purchase of and payment for, and as long as Parent directly or indirectly owns, not less than a majority of the issued and outstanding shares of Company Common Stock on a fully diluted basis by Parent or any of its direct or indirect Subsidiaries pursuant to the Offer, Parent shall be entitled to designate for appointment or election to the Company's then existing Board of Directors, upon written notice to the Company, such number of directors, rounded up to the next whole number, on the Board of Directors such that the percentage of its designees on the Board shall equal the percentage of the outstanding shares of Company Common Stock owned of record by Parent and each of its direct or indirect Subsidiaries. In furtherance thereof, the Company shall, upon request of Merger Sub, use its reasonable efforts promptly to cause Parent's designees (and any replacement designees in the event that any designee shall no longer be on the Board of Directors) to be so appointed or elected to the Company's Board, and in furtherance thereof, to the extent necessary, increase the size of the Board of Directors or use its reasonable efforts to obtain the resignation of such number of its current directors as is necessary to give effect to the foregoing provision. At such time, the Company shall also, upon the request of Parent, use its reasonable efforts to cause the

Persons designated by Parent to constitute at least the same percentage (rounded up to the next whole number) as is on the Company's Board of Directors of each committee of the Company's Board of Directors. Notwithstanding the foregoing, until the Effective Time, the Board of Directors of the Company shall have at least two directors who are directors of the Company on the date of this Agreement and who are not officers of the Company (the "**Independent Directors**"); *provided, however,* that (x) notwithstanding the foregoing, in no event shall the requirement to have at least two Independent Directors result in Parent's designees constituting less than a majority of the Company's Board of Directors unless Parent shall have failed to designate a sufficient number of Persons to constitute at least a majority and (y) if the number of Independent Directors shall be reduced below two for any reason whatsoever (or if immediately following Consummation of the Offer there are not at least two then-existing directors of the Company who (1) are Qualified Persons (as defined below) and (2) are willing to serve as Independent Directors), then the number of Independent Directors required hereunder shall be one, unless the remaining Independent Director is able to identify a person, who is not an officer or Affiliate of the Company, Parent or any of their respective Subsidiaries (any such person being referred to herein as a "**Qualified Person**"), willing to serve as an Independent Director, in which case such remaining Independent Director shall be entitled to designate any such Qualified Person or Persons to fill such vacancy, and such designated Qualified Person shall be deemed to be an Independent Director for purposes of this Agreement, or if no Independent Directors then remain, the other directors shall be required to designate two Qualified Persons to fill such vacancies, and such persons shall be deemed to be Independent Directors for purposes of this Agreement.

(b) The Company shall promptly take all actions required pursuant to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder in order to fulfill its obligations under Section 2.3(a), including mailing to stockholders the information required by such Section 14(f) and Rule 14f-1 (which the Company shall mail together with the Schedule 14D-9 if it receives from Parent and Merger Sub the information below on a basis timely to permit such mailing) as is necessary to fulfill the Company's obligations under Section 2.3(a). The Company's obligations to appoint Parent's designees to the Company's Board of Directors shall be subject to compliance with Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. Parent or Merger Sub shall supply the Company in writing, and be solely responsible for, any information with respect to either of them and their nominees, officers, directors and Affiliates required by such Section 14(f) and Rule 14f-1 as is necessary in connection with the appointment or election of any of Parent's designees under Section 2.3(a).

The provisions of Section 2.3(a) are in addition to and shall not limit any rights that Merger Sub, Parent or any of their Affiliates may have as a holder or beneficial owner of shares of Company Common Stock as a matter of law with respect to the election of directors or otherwise.

(c) Following the election or appointment of Parent's designees pursuant to Section 2.3(a), the approval by affirmative vote or written consent of all of the Independent Directors then in office (or, if there shall be only one Independent Director then in office, the Independent Director) shall be required to authorize (and such authorization shall constitute the authorization of the Company's Board of Directors, and no other action on the part of the Company, including any action by any committee thereof or any other director of the Company, shall, unless otherwise required by law, be required or permitted to authorize) (i) any amendment or termination of this Agreement by the Company, (ii) any extension of time for performance of any obligation or action hereunder by Parent or Merger Sub, (iii) any waiver or exercise of any of the Company's rights, benefits or remedies under this Agreement, or (iv) approval of any other action by the Company which could adversely affect the interests of the Stockholders (other than Parent and Merger Sub) with respect to the transactions contemplated hereby.

2.4 ***Merger Without Meeting of Stockholders.*** If following first acceptance for payment of shares of Company Common Stock by Merger Sub pursuant to the Offer (the "**Consummation of the Offer**") (or any subsequent offering period), Merger Sub owns at least 90% of the outstanding shares of Company Common Stock, each of the parties hereto shall take all necessary and appropriate action to cause the

Merger to become effective as soon as practicable after such acquisition, without the Special Meeting, in accordance with Section 253 of DGCL.

ARTICLE 3

THE MERGER

3.1 ***The Merger.*** Upon the terms and subject to the conditions set forth in this Agreement and in accordance with DGCL, at the Effective Time, Merger Sub shall be merged with and into the Company (the "**Merger**"), the separate corporate existence of Merger Sub shall cease and the Company shall (a) be the surviving corporation in the Merger (in such capacity, the "**Surviving Corporation**"), (b) succeed to and assume all the rights and obligations of Merger Sub in accordance with DGCL, and (c) continue its corporate existence under the laws of the State of Delaware. The Merger shall be pursuant to the provisions of, and shall be with the effect provided in, DGCL. In accordance with DGCL, all of the rights, privileges, property, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all of the debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

3.2 ***Effective Time; Filing of Certificate of Merger.*** Subject to the terms of this Agreement, the Parties shall cause the Merger to be consummated by filing a properly executed Certificate of Merger (in the form attached as *Exhibit 3.2* hereto) and other appropriate documents with the Secretary of State of the State of Delaware in accordance with the provisions of DGCL. The Merger shall become effective at the time of such filing of the Certificate of Merger with the Secretary of State of the State of Delaware or at such later date or time as Merger Sub and the Company shall agree and specify in the Certificate of Merger (the "**Effective Time**").

3.3 ***Certificate of Incorporation.*** At the Effective Time, the Certificate of Incorporation of the Surviving Corporation shall be the Certificate of Incorporation of Merger Sub set forth in *Exhibit 3.3*, until thereafter amended in accordance with its terms and DGCL.

3.4 ***Bylaws.*** At the Effective Time, the Bylaws of Merger Sub, as in effect immediately prior to the Effective Time, will become and constitute the Bylaws of the Surviving Corporation, until thereafter amended in accordance with their terms and DGCL.

3.5 ***Directors and Officers.*** At the Effective Time, the directors of Merger Sub and the officers of the Company immediately prior to the Effective Time shall be the initial directors and officers of the Surviving Corporation. Each director and officer of the Surviving Corporation shall hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Corporation until his or her death, resignation or removal or a successor is duly elected or appointed and qualified.

3.6 ***Additional Actions.*** If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that consistent with the terms of this Agreement any further assignments or assurances in law or any other acts are necessary or desirable (a) to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation, title to and possession of any property or right of either Constituent Corporation acquired or to be acquired by reason of, or as a result of, the Merger, or (b) otherwise to carry out the purposes of this Agreement, then, subject to the terms and conditions of this Agreement, each such Constituent Corporation and its officers and directors shall be deemed to have granted to the Surviving Corporation an irrevocable power of attorney to execute and deliver all such deeds, assignments and assurances in law and to do all acts necessary or proper to vest, perfect or confirm title to and possession of such property or rights in the Surviving Corporation and otherwise to carry out the purposes of this Agreement; and the officers and directors of the Surviving Corporation are fully authorized in the name of either Constituent Corporation to take any and all such action.

3.7 ***Time and Place of Closing.*** The closing of the Merger (the "**Closing**") shall take place (a) at the offices of Katten Muchin Zavis, 525 West Monroe Street, Chicago, Illinois on a date and at a time to be specified by the parties, which shall be no later than the second Business Day following satisfaction or waiver of all of the conditions set forth in *Article 8*, or (b) at such other place, at such other time or on such other date as the parties may mutually agree (the date of the Closing is hereinafter sometimes referred to as the "**Closing Date**").

ARTICLE 4

CONVERSION OF SECURITIES

4.1 ***Merger Consideration.*** At the Effective Time, by virtue of the Merger and without any action on the part of Merger Sub, the Company or the holders of any of the following securities:

(a) Each issued and outstanding share of common stock, par value $.01 per share, of Merger Sub immediately prior to the Effective Time shall be converted into one validly issued, fully paid and non-assessable share of common stock, par value $.01 per share, of the Surviving Corporation, and the Surviving Corporation shall be a wholly-owned subsidiary of Parent. Each stock certificate of Merger Sub evidencing ownership of any such shares of common stock of Merger Sub shall, following the Merger, evidence ownership of the same number of shares of common stock of the Surviving Corporation.

(b) Each share of Company Common Stock, together with the associated Company Right, issued and outstanding and owned by the Company, Parent, Merger Sub, or any Subsidiary of Parent or of the Company immediately prior to the Effective Time shall be canceled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

(c) Subject to the other provisions of this Section 4.1, each share of Company Common Stock that is issued and outstanding immediately prior to the Effective Time, together with the associated Company Right (excluding any shares of Company Common Stock canceled pursuant to Section 4.1(b) and any Dissenting Shares) shall by virtue of the Merger and without any action on the part of the holder thereof become and be converted into the right to receive cash in the amount of $7.25 (or any higher price per share paid pursuant to the Offer) for each whole share of Company Common Stock and the associated Company Right.

(d) At the Effective Time, holders of Company Common Stock shall cease to be, and shall have no rights as, Stockholders, other than to receive any dividend or other distribution with respect to such Company Common Stock with a record date occurring prior to the Effective Time and the consideration provided under this Article 4. After the Effective Time, there shall be no transfers on the stock transfer books of the Company of shares of Company Common Stock.

4.2 ***Exchange of Certificates.***

(a) At or prior to the Effective Time, Parent shall enter into an agreement reasonably satisfactory to the Company with Mellon Investor Services LLC, or such other bank or trust company designated by Parent and who is reasonably satisfactory to the Company (the "**Disbursing Agent**"), and shall deposit, or shall cause to be deposited, with the Disbursing Agent, for the benefit of the holders of certificates representing

the shares of Company Common Stock and the associated Company Rights ("**Company Stock Certificates**") for payment in accordance with this *Article 4*, through the Disbursing Agent, an amount of cash to be paid for shares of Company Common Stock and the associated Company Rights and Existing Options pursuant to *Article 4* (without any interest thereon) being hereinafter referred to as the "**Payment Fund**") to be paid pursuant to this *Article 4* in exchange for outstanding shares of Company Common Stock and the associated Company Rights and for payment required under Section 4.4 with respect to Existing Options. The Payment Fund shall not be used for any other purpose. The Disbursing Agent shall invest cash in the Payment Fund, as directed by Parent; *provided, however*, that all such investments shall be in (1) obligations of, or guaranteed by, the United States of America, (2) commercial paper obligations receiving the highest rating from either Moody's Investors Services, Inc. or Standard and Poor's Corporation, or (3) certificates of deposit of commercial banks with capital exceeding $1.0 billion. Any interest and other income resulting from such investments shall be paid to Parent.

(b) As soon as reasonably practicable after the Effective Time, but not more than five Business Days thereafter, Parent will instruct the Disbursing Agent to mail to each holder of record of Company

Stock Certificates who has not previously surrendered his or her Company Stock Certificates (other than holders of any shares of Company Common Stock cancelled pursuant to Section 4.1(b) and any Dissenting Shares) (1) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to such holder's Company Stock Certificates shall pass, only upon proper delivery of the Company Stock Certificates to the Disbursing Agent and shall be in such form and have such other provisions as Parent may reasonably specify) and (2) instructions for use in effecting the surrender of the Company Stock Certificates in exchange for cash in accordance with Section 4.1 (collectively, the "**Letter of Transmittal**").

(c) Upon the later of the Effective Time and the surrender of a Company Stock Certificate for cancellation (or the affidavits and indemnification regarding the loss or destruction of such certificates reasonably acceptable to Parent) to the Disbursing Agent together with the Letter of Transmittal, duly executed, and such other customary documents as may be required pursuant thereto, the holder of such Company Stock Certificate shall be entitled to receive in exchange therefor, and the Disbursing Agent shall deliver in accordance with the Letter of Transmittal, the cash which such holder has the right to receive in respect of the shares of Company Common Stock and the associated Company Rights formerly evidenced by such Company Stock Certificate in accordance with Section 4.1 (such cash being referred to as the "**Merger Consideration**"), and the Company Stock Certificate so surrendered shall forthwith be canceled. As soon as reasonably practicable after the Effective Time, but not more than five Business Days thereafter, the Disbursing Agent shall deliver to holders of Existing Options cash in the amount required under Section 4.4. In the event of a transfer of ownership of shares of Company Common Stock which is not registered in the transfer records of the Company, cash may be paid in accordance with this *Article 4* to a transferee if the Company Stock Certificate evidencing such shares is presented to the Disbursing Agent, accompanied by all documents required to evidence and effect such transfer and by evidence that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 4.2, each Company Stock Certificate shall be deemed at any time after the Effective Time to evidence only the right to receive upon such surrender the Merger Consideration.

(d) All cash paid upon the surrender of Company Stock Certificates and with respect to Existing Options in accordance with the terms of this *Article 4* shall be deemed to have been paid in full satisfaction of all rights pertaining to the shares of Company Common Stock and the associated Company Rights theretofore represented by such Company Stock Certificates or agreements representing Existing Options, as the case may be.

(e) Any portion of the Payment Fund which remains undistributed to the holders of the Company Stock Certificates or holders of Existing Options for six months after the Effective Time shall be delivered by the Disbursing Agent to Parent, upon demand, and any holders of Company Stock Certificates who have not theretofore complied with this *Article 4* shall thereafter look only to Parent for payment of their claim for the Merger Consideration.

(f) None of Parent, the Company, Merger Sub or the Disbursing Agent shall be liable to any Person in respect of any cash from the Payment Fund in each case delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Company Stock Certificate shall not have been surrendered prior to seven years after the Effective Time (or immediately prior to such earlier

date on which any Merger Consideration and any cash payable to the holder of such Company Stock Certificate pursuant to Section 4.2(e) would otherwise escheat to, or become the property of, any governmental body or authority), any such Merger Consideration shall, to the extent permitted by applicable Law, become the property of the Surviving Corporation, free and clear of all claims or interest of any person previously entitled thereto.

(g) Parent and Merger Sub shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Company Common Stock or Existing Options such amounts as Parent or Merger Sub is required to deduct and withhold with

respect to the making of such payment under the Code or any provision of state, local or foreign Tax Law. To the extent that amounts are so withheld by Parent or Merger Sub, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Company Common Stock or Existing Options, as the case may be, in respect of which such deduction and withholding was made by Parent or Merger Sub.

(h) If any Company Stock Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Company Stock Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond in such reasonable amount as the Surviving Corporation may direct as indemnity against any claim that may be made against it with respect to such Company Stock Certificate, the Disbursing Agent will issue in exchange for such lost, stolen or destroyed Company Stock Certificate the Merger Consideration, pursuant to this *Article 4*.

(i) In the event this Agreement is terminated without the occurrence of the Effective Time, Parent shall, or shall cause the Disbursing Agent to, return promptly any Company Stock Certificates theretofore submitted or delivered to the Disbursing Agent, without charge to the Person who submitted such Company Stock Certificates.

4.3 ***Stock Transfer Books.*** After the Effective Time, there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Company Stock Certificates are presented to the Surviving Corporation or the Disbursing Agent for any reason, they shall be canceled and exchanged as provided in this *Article 4*, except as otherwise provided by Law.

4.4 ***Existing Options of the Company.***

(a) The Company shall take all actions necessary to provide that each then outstanding Existing Option that is, or would be, vested and exercisable (in whole or in part) as of the Effective Time shall be canceled at the time that is immediately prior to the Effective Time (the "**Option Cancellation Time**") and the holder of such Existing Options shall receive, subject to any applicable withholding tax, an amount in cash equal to the product of (x) the excess, if any, of $7.25 (or any higher price per share paid pursuant to the Offer) over the per share exercise price of such Existing Option and (y) the number of shares with respect to which such Existing Option is, or will be, vested and exercisable as of the Effective Time.

(b) The Company shall take all actions necessary to provide that, effective as of the Option Cancellation Time, (i) each of the Existing Options that is not otherwise canceled pursuant to (a) above shall be terminated, (ii) the provisions in any other plan, program or arrangement providing for the issuance or grant of any other interest in respect of the capital stock of the Company shall be deleted, and (iii) no holder of Existing Options will have any right to receive any shares of capital stock of the Company or, if applicable, the Surviving Corporation, upon exercise of any Existing Option. The Company has determined, and Parent and Merger Sub agree, that for all purposes under agreements evidencing Existing Options, the Effective Time shall be the closing or consummation of a Sale Event, as defined in such agreements. If any employee's employment with the Company is terminated after the acceptance of shares of Company Common Stock for payment and payment for such shares pursuant to the Offer and prior to the Effective Time, and if as a consequence thereof, any Existing Options granted to such employee expire or terminate prior to the Effective Time without having been exercised, such employee shall be entitled to the payments hereunder in respect of such Existing Options, at the same time such amounts are paid to other holders of Existing Options, as if such employee had continued as an employee of the Company through the Effective Time and as if such Existing Options were then outstanding.

(c) The Company represents and warrants that the Company has the power and authority under the terms of each of the applicable Employee Benefit Plans to accomplish each of the matters set forth in this Section 4.4 without the consent of any Existing Option holder.

(d) The Company shall take all such steps as may be required to cause the transactions contemplated by this Section 4.4 and any other dispositions of equity securities of the Company (including derivative securities) in connection with this Agreement by each individual who is a director or officer of Company to be exempt under Rule 16b-3 promulgated under the Exchange Act.

(e) Notwithstanding the foregoing, as of the Consummation of the Offer, the Company's Employee Stock Purchase Plan shall be terminated and the rights of participants in such plan with respect to any offering period then underway shall be completed for all purposes prior thereto by refunding to each participant the account balance of such participant under such plan. In addition, prior to the Option Cancellation Time, the Company shall take all actions (including, if appropriate, amending the terms of such plan) that are necessary to give effect to the transactions contemplated by this Section 4.4(e). In respect of the foregoing, the Company shall cause written notice to be given to participants in accordance with the terms of such plan and no further offering period shall be created thereunder.

4.5 ***Dissenters' Rights.*** Dissenting Shares, to the extent required by DGCL, shall not be converted into the right to receive the Merger Consideration, but the holders of Dissenting Shares shall be entitled to receive such consideration as shall be determined pursuant to Section 262 of DGCL; *provided, however*, that if any such holder shall have failed to perfect or shall withdraw or lose his or her right to appraisal and payment under DGCL, such holder's shares of Company Common Stock and the associated Company Rights shall thereupon be deemed to have been converted as of the Effective Time into the right to receive such Merger Consideration as if such holder had not asserted such holders rights under Section 262 of the DGCL, without any interest thereon, and such shares shall no longer be Dissenting Shares. The Company shall give Parent, Merger Sub and the Disbursing Agent prompt notice of any claim by a Stockholder for payment of fair value for Dissenting Shares as provided in Section 262 of DGCL. Prior to the Effective Time, the Company will not, except with the prior written consent of Parent and Merger Sub make any payments with respect to, or settle or offer to settle, any such demands.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Merger Sub on the date of this Agreement, subject to the exceptions disclosed in writing in the disclosure letter dated as of the date hereof delivered to Parent by the Company pursuant to, and as an integral part of, this Agreement (the "**Company Disclosure Letter**"), which identifies the Section and subsection numbers hereof to which the disclosures pertain and which disclosures relate only to the representations and warranties set forth in the Section or subsection of this Agreement to which such section of the Company Disclosure Letter expressly relates and not to any other representation and warranty contained in this Agreement (except to the extent that one section of the Company Disclosure Letter specifically refers to another section thereof), as follows:

5.1 ***Organization; Business.***

(a) *Organization.* The Company is a corporation duly and validly organized and existing under the Laws of the jurisdiction of its incorporation and is qualified to do business as a foreign corporation and in good standing in the jurisdictions where the ownership or leasing of property or the conduct of its business requires qualification as a foreign corporation by the Company except where the failure to so qualify would not have a Material Adverse Effect on the Company. The Company has heretofore made available to Parent complete and correct copies of its Certificate of Incorporation and By-laws.

(b) *Powers.* The Company has all requisite corporate power and authority to carry on its business as it is now conducted and to own, lease and operate its current assets and properties, except for such corporate power and authority the absence of which would not have a Material Adverse Effect on the Company.

5.2 ***Capitalization.***

(a) *Capital Stock.* The authorized capital stock of the Company consists of 50,000,000 shares of Company Common Stock, of which 11,756,544 shares are issued and outstanding as of the date hereof, and 10,000,000 shares of preferred stock, par value $.01 per share, of which no shares are issued and outstanding as of the date hereof. The Company has reserved (1) 1,199,712 shares of Company Common Stock for issuance upon the exercise of Existing Options, (2) 300,000 shares of Series C Preferred Stock, par value $.01 per share, for issuance in connection with the Company Rights and (3) 250,000 of shares of Company Common Stock under the Company's Employee Stock Purchase Plan. Section 5.2 of the Company Disclosure Letter contains a true and complete list of the Existing Options and the holders, vesting schedules and exercise prices thereof.

(b) *Issuance; Ownership.* All of the outstanding capital stock of the Company is duly authorized, validly issued, fully paid and nonassessable and was not issued in violation of any preemptive rights. The Company has no Subsidiaries and, except as set forth in Section 5.2 of the Company Disclosure Letter, does not own (of record or beneficially), or have any obligation or right to acquire, any equity or other securities of any Person. Except for the Existing Options and the Company Rights, there are no options, warrants, calls, conversion rights or other rights to subscribe for or purchase, or other contracts with respect to, any capital stock of the Company and there are no outstanding or authorized stock appreciation, phantom stock, profit participation, preemptive or similar rights with respect to the Company. Except as set forth in Section 5.2 of the Company Disclosure Letter, there are no stockholder agreements, voting trusts, proxies, or other agreements or understandings with respect to the voting of the capital stock of the Company.

(c) *Voting Debt.* As of the date of this Agreement and except as set forth in Section 5.2(c) of the Company Disclosure Letter, (1) no bonds, debentures, notes or other indebtedness of the Company having the right to vote under ordinary circumstances are issued or outstanding, and (2) there are no outstanding contractual obligations of the Company to repurchase, redeem or otherwise acquire any shares of capital stock of the Company.

(d) *Listings.* The Company Common Stock is listed for trading on the Stock Market. Except as set forth in the preceding sentence, the Company's securities are not listed or quoted, for trading on any U.S. domestic or foreign securities exchange.

(e) *Minimum Condition.* As of the date hereof, the number of shares of Company Common Stock required to be validly tendered to satisfy the Minimum Condition is 6,478,129.

5.3 ***Authorization; Enforceability.*** The execution, delivery and performance by the Company of this Agreement are within the corporate power and authority of the Company and have been duly authorized by the Board of Directors of the Company. Except for the approval of the Stockholders as required by Law and the Company's Certificate of Incorporation, and as described in Section 5.26 hereof, no other corporate proceeding or action on the part of the Company is necessary to authorize the execution and delivery by the Company of this Agreement and the consummation by it of the Merger and the other transactions contemplated hereby. This Agreement is, and the other documents and instruments required by this Agreement to be executed and delivered by the Company will be, when executed and delivered by the Company, the valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws generally affecting the rights of creditors and subject to general equity principles.

5.4 ***No Violation or Conflict.*** Subject to the receipt of the clearance or expiration or termination of the waiting period described in Section 8.1(a), the execution and delivery of this Agreement by the Company and all documents and instruments required by this Agreement to be executed and delivered by the Company do not, and the consummation by the Company of the Merger and the other transactions contemplated hereby and the Company's compliance with the provisions hereof will not, (1) result in any violation of any provision of the Certificate of Incorporation or Bylaws of the Company, (2) except as disclosed in Section 5.4 of the Company Disclosure Letter, result in any

violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or the loss of a material benefit under, any Contract of the Company, or result in the creation of any Lien upon any of the properties or assets of the Company, (3) violate any Existing Permits of the Company or any Law applicable to the Company or its properties or assets, other than, in the case of clauses (2) and (3), any such violations, defaults, rights, losses or Liens that, individually or in the aggregate, would not have a Material Adverse Effect on the Company.

5.5 ***SEC Reports.***

(a) The Company has filed with the SEC true and complete copies of, all forms, reports, schedules, registration statements and other documents required to be filed by it since December 31, 1999, under the Exchange Act or the Securities Act (all documents filed by the Company with the SEC since December 31, 1999, as such documents have been amended since the time of their filing, collectively, the "**Company SEC Documents**"). As of their respective dates or, if amended, as of the date of the last such amendment, the Company SEC Documents, including any financial statements or schedules included therein, (1) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (2) complied in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as the case may be, at such time of filing.

(b) The Schedule 14D-9 and the Proxy Statement to be filed by the Company pursuant to this Agreement will comply in all material respects with the applicable requirements of the Exchange Act and will not, at the time the Schedule 14D-9 or the definitive Proxy Statement is filed with the SEC, as the case may be, and mailed to the stockholders of the Company, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided however* that no representation or warranty is made herein by the Company with respect to any information, if any, supplied by Parent or Merger Sub in writing specifically for inclusion in the Schedule 14D-9 or the Proxy Statement. The information regarding the Company to be provided to Parent and Merger Sub for inclusion in the Schedule TO will not, at the time such information is provided, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

5.6 ***Books and Records; Company Financial Statements.***

(a) *Audited Company Financial Statements.* The Audited Company Financial Statements comply in all material respects with the applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto), and fairly present in all material respects the financial position of the Company as of the dates set forth on each of the Audited Company Financial Statements and the results of operations, changes in stockholders' equity (deficiency) and cash flows of the Company for the periods indicated on each of the Audited Company Financial Statements.

(b) *Unaudited Company Financial Statements.* The Unaudited Company Financial Statements fairly present in all material respects the financial position of the Company as of March 31, 2001, and the results of operations and cash flows of the Company for the quarter ended March 31, 2001, in accordance with GAAP applied on a consistent basis during the periods involved, except that the Unaudited Company Financial Statements do not reflect normal year-end adjustments and other adjustments described therein and do not contain footnote disclosure of the type associated with audited financial statements.

(c) *Accounting Records.* The accounting books and records of the Company: (1) in all material respects reflect transactions engaged in by the Company of the type that normally are recorded on a company's accounting books and records; (2) are current in a manner consistent with past practice; and (3) to the Knowledge of the Company, have recorded therein all the properties, assets and liabilities of the Company that are normally recorded on a company's accounting books and records.

5.7 ***No Liabilities; Absence of Certain Changes.***

(a) The Company has no indebtedness, obligations or liabilities of any kind (whether accrued, absolute, contingent or otherwise, and whether due or to become due or asserted or unasserted), and, to the Knowledge of the Company, there is no basis for the assertion of any claim or liability of any nature against the Company, except for (i) liabilities which are fully reflected in, reserved against or otherwise described in the Company Financial Statements, (ii) liabilities which have been incurred after March 31, 2001 in the ordinary course of business consistent with past practice, (iii) liabilities incurred or that may be incurred directly in connection with the transactions contemplated hereby, (iv) liabilities set forth in Section 5.7 of the Company Disclosure Letter, and (v) other liabilities which are not in excess of $250,000 in the aggregate.

(b) Since March 31, 2001, except as set forth in Section 5.7 of the Company Disclosure Letter, there has not been any:

(1) Material Adverse Effect experienced by the Company;

(2) transactions by the Company outside the ordinary course of business of the Company, except for the transactions contemplated by this Agreement;

(3) declaration or payment of any dividend or any distribution in respect of the capital stock of the Company or any direct or indirect redemption, purchase or other acquisition of any such stock by the Company; or

(4) payments or distributions to the Stockholders, in their capacities as Stockholders, or, except for transactions in the ordinary course of business upon commercially reasonable terms of the Company, any Affiliate of the Company.

(c) Without limiting the generality of the foregoing, since March 31, 2001, except as set forth in Section 5.7 of the Company Disclosure Letter:

(1) the Company has not sold, leased, transferred, or assigned any of its material assets, tangible or intangible, other than for fair consideration in the ordinary course of business and other than the disposition of obsolete or unusable property;

(2) the Company has not made any individual capital expenditure (or series of related capital expenditures) either involving more than $100,000 or outside the ordinary course of business;

(3) the Company has not experienced any material damage, destruction or loss (whether or not covered by insurance) from fire or other casualty to its tangible property;

(4) the Company has not materially increased the base salary of any officer or employee of the Company, or adopted, amended, modified, or terminated any bonus, profit-sharing, incentive, severance or other similar plan for the benefit of any of its directors, officers or employees except as consistent with past practices; and

(5) the Company has not entered into a binding commitment relating to any of the foregoing.

5.8 ***Title to Assets.*** The Company owns fee simple title to or has a valid leasehold (as the case may be) interest in its Real Estate and has valid title to its other tangible assets and properties necessary for the conduct of its business, free and clear of any and all Liens, except for Permitted Liens and Liens set forth on Section 5.8 of the Company Disclosure Letter.

5.9 ***Accounts Receivable and Payable; Inventories.***

(a) The Company's accounts receivable have arisen in bona-fide arms length transactions in the ordinary course of business and represent valid and binding obligations of the account debtors. To the extent required under GAAP, the Company's accounts payable and accrued liabilities reflect all amounts owed by the Company in respect of trade accounts due and other payables and the actual liability of the Company in respect of such obligations is reflected on the Company Financial Statements.

(b) All inventories of finished goods and work in process of the Company are as of the date hereof, and those existing upon the Consummation of the Offer will be valued at the lower of cost or market and be, in all material respects, of a quality and quantity salable in the ordinary course of the business, except for inventory fully and adequately reserved against in the Company's accounting books and records as of the applicable date, which the Company has made available to Parent. All inventories of raw materials are of a quality and quantity usable in the ordinary course of business, except for inventories fully and adequately reserved against in the Company's accounting books and records as of the applicable date, which the Company has made available to Parent. The Company's purchase commitments for raw materials and parts are not in excess of normal requirements, and none are at prices materially in excess of current market prices and no inventory items have been sold or disposed of, except for sales in the ordinary course of business and consistent with past practice.

5.10 ***Buildings and Equipment.*** The Company has not received any written notice from any Governmental Entity that any of its Buildings or Equipment fail to comply with any applicable building and zoning or other similar Laws in effect at the date hereof. All Buildings and Equipment of the Company are in good condition, working order and repair, normal wear and tear excepted, and adequate for the uses to which they are being put, have been well maintained, conform in all material respects with all applicable ordinances, regulations and zoning, safety and other Laws, and to the Knowledge of the Company do not encroach on the property of others. As of the date hereof, the Company has not received written notice of or otherwise become aware of any pending or threatened change of any such ordinance, regulation or zoning, safety or other Law and there is no pending or, to the Company's Knowledge, threatened condemnation of any such property.

5.11 ***Real Estate.*** Section 5.11 of the Company Disclosure Letter lists all real property and improvements leased or owned by the Company. Except as set forth in Section 5.11 of the Company Disclosure Letter, such Real Estate is not subject to any leases, tenancies, encumbrances or encroachments of any kind, except for Permitted Liens.

5.12 ***Intangible Assets***.

(a) Section 5.12(a) of the Company Disclosure Letter sets forth a true, correct and complete list of all patents, patent applications, invention disclosures, trademarks, trademark applications, copyrights, copyright applications, service marks, service mark applications and domain names owned or licensed by the Company, not including Commercial Software, and indicates, with respect to each such item of Intangible Assets listed thereon, (1) the owner thereof and (2) if licensed by or to the Company, each license or other written agreement relating thereto and the names of the licensor and licensee thereof. "**Commercial Software**" means packaged commercially available software programs generally available to the public pursuant to non-exclusive end-user licenses and which are used in the Company's

business, but in no way a component of or incorporated in or specifically required to develop or support any of the Company's products.

(b) To the Knowledge of the Company, the Company's use, sale, license or distribution of its products does not infringe on any valid and enforceable intellectual property rights of any Person.

(c) There are no claims, demands or proceedings instituted, pending or, to the Knowledge of the Company, threatened by any Person contesting or challenging the validity or enforceability of the Company's Intangible Assets.

(d) Each trademark registration, service mark registration, copyright registration and patent which is owned by the Company is valid and subsisting, and all necessary registration, maintenance and renewal fees in connection with each such trademark registration, service mark registration, copyright registration and patent have been paid.

(e) To the Knowledge of the Company, each trademark registration, service mark registration, copyright registration and patent licensed by the Company is valid and subsisting, and all necessary registration, maintenance and renewal fees in connection with each such trademark registration, service mark registration, copyright registration and patent have been paid.

(f) The Company owns or possesses adequate licenses or other legally enforceable rights to use all Intangible Assets necessary to conduct its business as now conducted.

(g) The consummation of the Merger and the other transactions contemplated by this Agreement will not impair the validity, enforceability, ownership or right of the Company to use, sell, license or distribute, or cause the Company to be in breach of any agreement respecting, any Intangible Assets.

(h) The Company has taken reasonable security measures to safeguard and maintain the secrecy of the Company's trade secrets. All of the Company's employees have executed written agreements assigning to the Company all rights in inventions conceived by such employees in their capacity as employees of the Company, and all of the Company's independent contractors have executed written agreements assigning to the Company all copyrights and rights in inventions written, prepared or conceived by such independent contractors in their capacity as independent contractors to the Company.

5.13 ***Performance of Contracts.*** Section 5.13 of the Company Disclosure Letter lists all of the following Contracts, whether oral or written, to which the Company or is a party or by which it or any of its properties or assets may be bound: (i) all employment or other contracts with any officer or director of the Company (or any Person which is controlled by any such individual) and any employment agreements with any employee which are not terminable at will without any payment upon termination; (ii) union, guild or collective bargaining contracts relating to employees of the Company; (iii) instruments for Indebtedness (including any indentures, guarantees, loan agreements, sale and leaseback agreements, or purchase money obligations incurred in connection with the acquisition of property other than in the ordinary course of business); (iv) underwriting, purchase, liquidation or similar agreements entered into in connection with the Company's currently existing Indebtedness; (v) agreements for acquisitions or dispositions (by merger, purchase, liquidation or sale of assets or stock or otherwise) of material assets entered into within the last three years, as to which the transactions contemplated have been consummated or are currently pending; (vi) joint venture, strategic alliance or similar partnership agreements; (vii) material agreements for the distribution or resale of the Company's products; (viii) contracts granting any person or other entity registration rights; (ix) guarantees, suretyships, indemnification and contribution agreements involving individually or in the aggregate in excess of $100,000; (x) franchise agreements; (xi) agreements regarding the purchase of supplies, equipment, materials or components greater than $50,000 or one year in duration; (xii) agreements for the sale of products greater than $50,000 or one year in duration; (xiii) agreements restricting competition; (xiv) contracts with any Governmental Entity, (*xv*) existing material leases of

real or personal property and material contracts to purchase or sell real property; and (xvi) other Contracts which materially affect the business, properties or assets of the Company and are not otherwise disclosed in this Agreement or which were entered into other than in the ordinary course of business on a basis consistent with past practice (all of such Contracts along with the licenses and other agreements set forth in Section 5.12(a) of the Company Disclosure Letter are collectively referred to as the "**Scheduled Contracts**"). Except as set forth on Section 5.13 of the Company Disclosure Letter, a true and complete copy (including all amendments) of each Scheduled Contract, or a summary of each oral contract, has been made available to Parent. Each of the Scheduled Contracts is in full force and effect and constitutes the legal and binding obligation of the Company and, to the Knowledge of the Company, constitutes the legal and binding obligation of the other parties thereto. Except as disclosed in Section 5.13 of the Company Disclosure Letter, there are no existing breaches or defaults by the Company under any Scheduled Contract the effect of which would constitute a Material Adverse Effect on the Company, and, to the Knowledge of the Company, no event has occurred which, with the passage of time or the giving of notice or both, would be expected to constitute a breach or default which would constitute a Material Adverse Effect on the Company. Except as set forth in Section 5.13 of the Company Disclosure Letter, there is no agreement, judgment, injunction, order or decree binding upon the Company or its properties (including Intangible Assets) which has or could reasonably be expected to have the effect of prohibiting or materially impairing any material acquisition of property by the Company or the conduct of the business by the Company, including any exclusive distribution or licensing agreements which cannot be terminated on less than 30 days notice without any cost or expense to the Company.

5.14 ***Insurance.*** Section 5.14 of the Company Disclosure Letter lists all of the Existing Insurance Policies of the Company and all outstanding claims against such Existing Insurance Policies. All such Existing Insurance Policies are currently in effect, and the Company has not received notice of cancellation or termination of, or material premium increase with respect to, any such Existing Insurance Policy in effect on the date hereof or within the past three years.

5.15 ***Litigation.*** Except as described in Section 5.15 of the Company Disclosure Letter, (a) there are no actions, suits, claims, litigation or proceedings pending or, to the Knowledge of the Company, threatened against the Company that would be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company; (b) as of the date hereof, there are no such actions, suits, claims, litigation or proceedings pending or, to the Knowledge of the Company, threatened, against the Company which question the legality or validity of the Offer, the Merger or the other transactions contemplated by this Agreement; and (c) there are no outstanding orders, judgments, injunctions, awards or decrees of any Governmental Entity against the Company that would be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

5.16 ***Taxes.*** Except as set forth in Section 5.16 of the Company Disclosure Letter:

(a) The Company has timely filed (or has timely filed a valid extension with respect to) all Federal, state, local and foreign returns, information statements and reports relating to Taxes ("**Returns**") required by applicable Tax law to be filed by the Company, except for any such failures to file that could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. All Taxes owed by the Company to a taxing authority, or for which the Company is liable, whether to a taxing authority or to other Persons or entities under a Tax Agreement, as of the date hereof, have been paid for and, as of the Effective Time, will have been paid or adequately reserved for as described in Section 5.16(f), except for any such failure to pay for that could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(b) Except to the extent that any such failure to withhold could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, the Company has

withheld with respect to its employees, independent contractors, creditors, stockholders or other third parties, all Federal and state income taxes, FICA, FUTA and other Taxes required to be withheld.

(c) There is no Tax deficiency outstanding, proposed or assessed against the Company, except any such deficiency that, if paid, could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. The Company has not executed or requested any waiver of any statute of limitations on, or otherwise extended the period for, the assessment or collection of any Tax that is still in effect.

(d) No Tax audit or other examination of the Company is presently in progress, nor has the Company been notified in writing of any request for such Tax audit or other examination, except in all cases for Tax audits and other examinations which could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. No issue has been raised in any prior tax audit of the Company which, by application of the same or similar principles, would be expected, upon a future tax audit of the Company to result in a proposed deficiency for any period and which deficiency would have a Material Adverse Effect on the Company.

(e) The Company has not filed any consent agreement under Section 341(f) of the Code or agreed to have Section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as defined in Section 341(f)(4) of the Code) owned by the Company.

(f) The aggregate unpaid Taxes of the Company (1) did not, as of March 31, 2001, 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 consolidated balance sheet of the Company as March 31, 2001 (rather than any notes thereto), as included in the Company SEC Documents, and (2) will not exceed that reserve as adjusted for the passage of time through the Effective Time in accordance with the past custom and practice of the Company in filing its Tax Returns, except where the failure to make such accruals or provisions could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(g) The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Effective Time as a result of (1) a change in method of accounting for a taxable period ending on or prior to the Effective Time under Section 481 of the Code (or any corresponding or similar provision of state, local or foreign income Tax law); (2) a "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local

or foreign income Tax Law) executed on or prior to the Effective Time; (3) deferred intercompany gain or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law); (4) an installment sale or open transaction disposition made on or prior to the Effective Time; or (5) a prepaid amount received on or prior to the Effective Time.

(h) The Company has not made any payments, is not obligated to make any payments, and is not party to any agreement that under certain circumstances could obligate it to make any payments, that would not be deductible under Section 280G of the Code. The Company has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code. The Company has disclosed on its Federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of Federal income Tax within the meaning of Section 6662 of the Code. The Company (1) has not been a member of any affiliated group within the meaning of Section 1504(a) of the Code, or any similar group defined under a similar provision of state, local or foreign law, filing a consolidated Federal income Tax Return (other than a group the common parent of which was the Company) and (2) has no liability for the Taxes of any Person (other than any of the Company) under Treasury Regulation 1.1502-6 (or any similar provision of state, local, or foreign Law), as a transferee or successor, by contract or otherwise.

5.17 ***Employee Benefit Plans.*** Section 5.17 of the Company Disclosure Letter contains a true and complete description of each of the Company's Employee Benefit Plans. Except as set forth in Section 5.17 of the Company Disclosure Letter:

(a) *Existing Plans*. Neither the Company nor any Company ERISA Affiliate maintains or contributes to, nor is any such party bound by or liable with respect to, any Employee Benefit Plan. All of the Company's Employee Benefit Plans are in compliance in all material respects with all applicable Laws, including ERISA and the Code. To the Knowledge of the Company, there are no facts which would adversely affect the tax qualified status of any of the Company's Existing Plans which are intended to meet the requirements of Section 401(a) of the Code.

(b) *ERISA; Code*. There is no accumulated funding deficiency, within the meaning of Section 302 of ERISA or Section 412 of the Code, in connection with any Employee Benefit Plan of the Company and the Company ERISA Affiliates that is an "employee pension plan," as that term is defined in Section 3(2) of ERISA. No reportable event, as defined in ERISA (other than reportable events for which the 30-day notice requirement has been waived), has occurred in connection with any Company Employee Benefit Plan that is an "employee pension plan," as that term is defined in Section 3(2) of ERISA. The Company's Employee Benefit Plans have not, nor has any fiduciary with respect to the Company's Employee Benefit Plans, engaged in any non-exempt prohibited transaction as defined in ERISA or the Code for which the Company or any Company Affiliate may be liable that would reasonably be expected to have a Material Adverse Effect on the Company. Neither the Company nor any Company ERISA Affiliate is contributing to, or is required to contribute, nor does any such party have any liability (including contingent withdrawal liability) with respect to, any plan subject to Title IV of ERISA or Section 412 of the Code, including any multiemployer plan, as defined in Section 3(37) of ERISA.

(c) *Funding*. The current value of the assets of each of the Employee Benefit Plans of the Company and the Company ERISA Affiliates is not less than the present value of the accrued benefits under each such Employee Benefit Plan, based upon the actuarial assumptions (to the extent reasonable) presently used for funding purposes in the most recent actuarial report prepared by such Employee Benefit Plan's actuary with respect to such Employee Benefit Plan; and all contributions or other amounts payable by the Company as of the Effective Time with respect to each of its Employee Benefit Plans in respect of current or prior plan years have been either paid or accrued on the balance sheet of the Company. There are no pending or, to the Knowledge of the Company, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any of the Employee Benefit Plans or any trusts related thereto that would reasonably be expected to have a Material Adverse Effect on the Company.

(d) *Other Plan Obligations*. To the Knowledge of the Company, neither the Company nor any Company ERISA Affiliate, nor any of its Employee Benefit Plans, nor any trust created thereunder, nor any fiduciary thereof has engaged in a transaction in connection with which the Company or any Company ERISA Affiliate, any of its Employee Benefit Plans, any such trust, or any fiduciary thereof, or any party dealing with any of its Employee Benefit Plans or any such trust could be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a Tax imposed pursuant to Section 4975 or 4976 of the Code that would reasonably be expected to have a Material Adverse Effect

on the Company. No Employee Benefit Plan of the Company provides death or medical benefits (whether or not insured) with respect to current or former employees of the Company or any Company ERISA Affiliate beyond their retirement or other termination of service other than (1) coverage mandated by applicable Law or (2) death benefits under any "employee pension plan," as that term is defined in Section 3(2) of ERISA.

5.18 ***Environmental Protection.*** The Company: (1) is in compliance with all applicable Environmental Laws, except for such non-compliance which would not, individually or in the aggregate,

have a Material Adverse Effect on the Company; (2) has not received any communication (written or oral) from a Governmental Entity or third party that alleges that the Company is not in compliance with applicable Environmental Laws; (3) has not owned or operated any property that is contaminated with any Hazardous Material which may be expected to require remediation under any Environmental Law; (4) is not subject to liability for any disposal or contamination (whether on-site or off-site) of any Hazardous Material; and (5) is not subject to any other circumstances in connection with any Environmental Law that could reasonably be expected to have a Material Adverse Effect on the Company.

5.19 ***Labor Matters***.

(a) *Employment Claims.* To the Knowledge of the Company, there is no present or former employee of the Company who has any material claim against the Company (whether under Law, under any employee agreement or otherwise) on account of or for: (1) overtime pay, other than overtime pay for the current payroll period; (2) wages or salaries, other than wages or salaries for the current payroll period; or (3) vacations, sick leave, time off or pay in lieu of vacation or time off, other than vacation, sick leave or time off (or pay in lieu thereof) earned in the period immediately preceding the date of this Agreement or incurred in the ordinary course of business and appearing as a liability on the most recent Company Financial Statements.

(b) *Labor Disputes.* Except as disclosed in Section 5.19 of the Company Disclosure Letter, (1) there are no pending and unresolved material claims by any Person against the Company arising out of any statute, ordinance or regulation relating to unfair labor practices, discrimination or to employees or employee practices or occupational or safety and health standards; (2) there is no pending, nor has the Company experienced any, material labor dispute, strike or organized work stoppage, (3) to the Knowledge of the Company, there is no threatened material labor dispute, strike or organized work stoppage against the Company and (4) to the Knowledge of the Company, no executive, key employee or group of employees has any plans to terminate his or her employment with the Company.

(c) *Union Matters.* Except as disclosed in Section 5.19 of the Company Disclosure Letter, (1) the Company is not a party to any collective bargaining agreement; (2) to the Knowledge of the Company, no union organizing activities are in process or have been proposed or threatened involving any employees of the Company; and (3) no petitions have been filed or, to the Knowledge of the Company, have been threatened or proposed to be filed, for union organization or representation of employees of the Company not presently organized.

5.20 ***Existing Permits and Violations of Law.*** The Company has all licenses, permits, approvals, exemptions, orders, approvals, franchises, qualifications, permissions, agreements and governmental authorizations required by Law and required for the conduct of the business of the Company as currently conducted, except where the failure to have the same would not have a Material Adverse Effect on the Company. No action or proceeding is pending or, to the Knowledge of the Company, threatened that is reasonably likely to result in a revocation, non-renewal, termination, suspension or other material impairment of any material Existing Permits of the Company. The business of the Company is not being conducted in violation of any applicable Law, except for such violations which would not have a Material Adverse Effect on the Company. No Governmental Entity has notified the Company that it intends to conduct an investigation or review with respect to the Company other than, in each case, those which would not have a Material Adverse Effect on the Company.

5.21 ***Unlawful Payments and Contributions.*** Neither the Company nor, to the Knowledge of the Company, any of its directors, officers, employees or agents has, with respect to the businesses of the Company, (a) used any funds for any unlawful contribution, endorsement, gift, entertainment or other unlawful expense relating to political activity; (b) made any direct or indirect unlawful payment to any foreign or domestic government official or employee; (c) violated or is in violation of any provision of

the Foreign Corrupt Practices Act of 1977, as amended; or (d) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any person or entity.

5.22 ***Warranty or Other Claims.*** No product manufactured, sold, leased or delivered by the Company is subject to any guaranty, warrant, right of return or other indemnity beyond the applicable standard terms and conditions of sale or lease, which have been provided in writing to Parent. There are no existing or, to the Knowledge of the Company, threatened claims or any facts upon which a claim could be based, against the Company for services or products which are defective or fail to meet any service or product warranties which would, individually or in the aggregate, have a Material Adverse Effect on the Company. No material claim has been asserted against the Company for renegotiation or price redetermination of any material business transaction, and the Company has no Knowledge of any facts upon which any such claim could be based.

5.23 ***Customers, Suppliers, Distributors and Resellers.*** Except as set forth in Section 5.23 of the Company Disclosure Letter, since December 31, 2000, there has been no termination, cancellation or curtailment of the business relationship of the Company with any customer, supplier, distributor, reseller or group of affiliated customers, suppliers, distributors or resellers which would result in a Material Adverse Effect on the Company, and the Company has no Knowledge of any threatened termination, cancellation or curtailment of such business relationship.

5.24 ***Transactions with Affiliates.*** Except as set forth in Section 5.24 of the Company Disclosure Letter, the Company is not a party to any transactions with any of its Affiliates through the date of this Agreement, and the Company has no existing commitments to engage in any transactions with any of its Affiliates in the future.

5.25 ***Certain Agreements.*** Except as set forth in Section 5.25 of the Company Disclosure Letter: (a) the Company is not a party to any agreement or plan, including any stock option plan, stock appreciation rights plan, restricted stock plan or stock purchase plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the consummation of the Merger or any of the other transactions contemplated by this Agreement; (b) the Merger and the other transactions contemplated by this Agreement will not constitute a "change in control" under, require the consent from or the giving of notice to any third party pursuant to, accelerate the vesting or repurchase rights under, or result in the grant of any rights to any Person under, any Scheduled Contract; and (c) there are no amounts or benefits payable by the Company to any officers, directors or employees or former officers, directors or employees of the Company (other than solely as stockholders) as a result of the Merger or the other transactions contemplated by this Agreement.

5.26 ***Governmental Approvals.*** No permission, approval, determination, consent or waiver by, nor declaration, filing or registration with, any Federal, state, local or foreign court, arbitral tribunal, administrative agency or commission or other governmental or regulatory authority or administrative agency (a "**Governmental Entity**") is required by the Company in connection with the execution and delivery of this Agreement by the Company or the consummation by the Company of the Merger or the other transactions contemplated by this Agreement, except for: (a) the approvals or filings in connection with (1) the HSR Act as described in Section 8.1(a), (2) the Exchange Act, (3) the Minnesota Takeover Disclosure Act and (4) the rules and regulations of the Stock Market; (b) the filing of the Certificate of Merger as described in this Agreement; and (c) such permissions, approvals, determinations, consents, waivers, declarations, filings, or registrations that, if not obtained would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

5.27 ***Vote Required.*** The affirmative vote of the holders of at least a majority of the outstanding shares of Company Common Stock entitled to vote with respect to the Merger is the only vote of the holders of any class or series of the Company's capital stock necessary to approve the Merger and this Agreement.

5.28 ***Opinion of Financial Advisor.*** The Company has received the opinion of Raymond James & Associates, its financial advisor, to the effect that, as of July 31, 2001, the Merger Consideration to be

received by the Stockholders, based upon and subject to the assumptions and limitations set forth in such opinion, is fair to the Stockholders from a financial point of view. A copy of such opinion has been delivered to Parent. As of the date hereof, such opinion has not been withdrawn, revoked or modified.

5.29 ***Brokers' and Finders' Fees.*** Except for fees to be paid to Raymond James & Associates pursuant to an engagement letter that has been provided to Parent, the Company has not incurred any brokers', finders' or any similar fee in connection with the transactions contemplated by this Agreement.

5.30 ***No Pending Acquisitions.*** Except for this Agreement and the Confidentiality Agreement dated July 10, 2001 between Parent and the Company (the "**Confidentiality Agreement**"), the Company is not a party to or bound by any agreement, undertaking or commitment with respect to the acquisition of the capital stock or assets of another Person.

5.31 ***Takeover Law.*** The Company has taken all action required to be taken by it in order to exempt this Agreement, the Offer, the Merger and the other transactions contemplated hereby and described in the Schedule TO from, and this Agreement is exempt from, the requirements of Section 203 of DGCL (collectively, the "**Takeover Law**").

5.32 ***Company Rights Agreement.*** The Company has taken all requisite action under the Company Rights Agreement to cause the provisions of the Company Rights Agreement not to be applicable to this Agreement, the Offer, the Merger, Parent and Merger Sub's beneficial ownership of Company Common Stock and the other transactions contemplated hereby and by any other agreements entered into by Parent or Merger Sub in connection herewith, including causing the Offer to constitute a "Permitted Offer" (as defined in the Company Rights Agreement).

5.33 ***Disclosure.*** No representation or warranty by the Company in this Agreement and no statement contained in the Company Disclosure Letter or any certificate delivered by the Company to Parent pursuant to this Agreement, contains any untrue statement of a material fact or omits any material fact necessary to make the statements herein or therein not misleading when taken together in light of the circumstances in which they were made, *provided, however, that* Parent and Merger Sub acknowledge that the Company has not disclosed to Parent or Merger Sub information regarding certain patent applications and invention disclosures pursuant to Section 5.12 and information regarding certain strategic alliance agreements pursuant to Section 5.13, as described in the applicable sections of the Company Disclosure Letter (such information regarding patent applications, invention disclosures and strategic alliance agreements, collectively, the "**New Product Information**"); the Company will disclose the New Product Information to Parent and Merger Sub in accordance with Section 7.14.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub, jointly and severally, represent and warrant to the Company on the date of this Agreement as follows:

6.1 ***Organization; Business***.

(a) *Organization.* Each of Parent and Merger Sub is a corporation duly and validly organized and existing under the Laws of the jurisdiction of its incorporation and is qualified to do business as a foreign corporation and in good standing in the jurisdictions where the ownership or leasing of property or the conduct of its business requires qualification as a foreign corporation by Parent, except where the failure to so qualify would not have a Material Adverse Effect on Parent.

(b) *Powers.* Each of Parent and Merger Sub has all requisite corporate power and authority to carry on its business as it is now conducted and to own, lease, and operate its current assets and

properties, except for such corporate power and authority the absence of which would not have a Material Adverse Effect on Parent.

6.2 ***Authorization; Enforceability.*** The execution, delivery and performance by Parent and Merger Sub of this Agreement are within the corporate power and authority of each of Parent and Merger Sub and have been duly authorized by the Board of Directors of each of Parent and Merger Sub. Except as described in Section 6.4 hereof, no other corporate proceeding or action on the part of Parent and Merger Sub is necessary to authorize the execution and delivery by Parent and Merger Sub of this Agreement and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby. This Agreement is, and the other documents and instruments required by this Agreement to be executed and delivered by Parent and Merger Sub will be, when executed and delivered by Parent and Merger Sub, the valid and binding obligations of Parent and Merger Sub, enforceable against Parent and Merger Sub in accordance with their respective terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws generally affecting the rights of creditors and subject to general equity principles.

6.3 ***No Violation or Conflict.*** Subject to the receipt of the clearance or expiration or termination of the waiting period described in Section 8.1(a), the execution and delivery of this Agreement by Parent and Merger Sub and all documents and instruments required by this Agreement to be executed and delivered by Parent or Merger Sub do not, and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby and Parent's and Merger Sub's compliance with the provisions hereof will not, (1) result in any violation of any provision of the Certificate of Incorporation or Bylaws of Parent or the charter documents of any of its Subsidiaries (including Merger Sub), (2) result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or the loss of a material benefit under, any Contract of Parent or any of its Subsidiaries (including Merger Sub), or result in the creation of any Lien upon any of the properties or assets of Parent or any of its Subsidiaries (including Merger Sub), (3) violate any Existing Permits of Parent or any of its Subsidiaries or any Law applicable to Parent or any of its Subsidiaries (including Merger Sub) or any of such party's properties or assets, other than, in the case of clauses (2) and (3), any such violations, defaults, rights, losses or Liens that, individually or in the aggregate, would not have a Material Adverse Effect on Parent, or would not affect adversely the ability of Parent or Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement.

6.4 ***Governmental Approvals.*** No permission, approval, determination, consent or waiver by, or any declaration, filing or registration with, any Governmental Entity is required by Parent or Merger Sub in connection with the execution and delivery of this Agreement by Parent and Merger Sub or the consummation by Parent and Merger Sub of the Merger or the other transactions contemplated by this Agreement, except for: (a) the approvals or filings in connection with (1) the HSR Act as described in Section 8.1(a), (2) the Exchange Act, (3) the Minnesota Takeover Disclosure Act and (4) the rules and regulations of the Stock Market; (b) the filing of the Certificate of Merger as described in this Agreement; and (c) such permissions, approvals, determinations, consents, waivers, declarations, filings, or registrations that, if not obtained would not, individually or in the aggregate, have a Material Adverse Effect on Parent, or materially impair Parent's or Merger Sub's ability to consummate the Merger and the other transactions contemplated hereby.

6.5 ***Brokers' and Finders' Fees.*** Except for fees to be paid to U.S. Bancorp Piper Jaffray, neither Parent nor Merger Sub has incurred any brokers', finders' or any similar fees in connection with the transactions contemplated by this Agreement.

6.6 ***SEC Reports***.

(a) Parent has filed with the SEC true and complete copies of, all forms, reports, schedules, statements and other documents required to be filed by it since December 31, 1999, under the

Exchange Act or the Securities Act (as such documents have been amended since the time of their filing, collectively, the "**Parent SEC Documents**"). As of their respective dates or, if amended, as of the date of the last such amendment, Parent SEC Documents, including any financial statements or schedules included therein (1) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (2) complied in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as the case may be, at such time of filing.

(b) The Schedule TO and the Offer Documents to be filed by Merger Sub and Parent pursuant to this Agreement will comply in all material respects with the applicable requirements of the Exchange Act and, on the date filed with the SEC (in the case of the Schedule TO) and on the date first published, sent or given to the Stockholders (in the case of the Offer Documents), will not contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided however* that no representation or warranty is made herein by Parent with respect to any information supplied by the Company in writing specifically for inclusion in the Schedule TO. The information regarding Parent and Merger Sub to be provided by Parent to the Company for inclusion in the Schedule 14D-9 and the Proxy Statement will not, at the time such information is so provided, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to the make the statements therein, in light of the circumstances under which they were made, not misleading.

6.7 ***Adequate Cash Resources.*** Parent has sufficient funds, and will cause Merger Sub to have sufficient funds, to consummate the Offer and the Merger at the times required under this Agreement.

6.8 ***Disclosure.*** No representation or warranty by Parent in this Agreement and no statement contained in any certificate delivered by Parent to the Company pursuant to this Agreement, contains any untrue statement of a material fact or omits any material fact necessary to make the statements herein or therein not misleading when taken together in light of the circumstances in which they were made.

ARTICLE 7

COVENANTS AND AGREEMENTS

7.1 ***Conduct of Business by the Company.*** Except as contemplated by this Agreement, from and after the date of this Agreement and until the earlier of the termination of this Agreement or the Effective Time, the Company shall:

(a) carry on its business in the usual, regular and ordinary course substantially in the same manner as heretofore carried on;

(b) not (1) make payments or distributions (other than normal compensation) to any Affiliate of the Company except for transactions in the ordinary course of business in accordance with past practice upon commercially reasonable terms; (2) sell, lease, transfer or assign any of its assets, tangible or intangible, other than for a fair consideration in the ordinary course of business in accordance with past practice and other than the disposition of obsolete or unusable property; (3) grant any license or sublicense of any rights under, or with respect to, any Intangible Assets, other than in the ordinary course of business, or (4) make any loan to, or enter into any other transaction with, any of its Affiliates, directors, officers and employees (other than compensation, benefits and expense reimbursement for employees in the ordinary course of business);

(c) not (1) enter into or modify any Contract (A) involving more than $100,000 (other than purchase and sales orders in the ordinary course of business in accordance with past practice) or

(B) outside the ordinary course of business, without the consent of Parent (which consent shall not be unreasonably withheld); (2) make any individual capital expenditure (or series of related capital expenditures) (A) involving more than $150,000 (unless such expenditure is identified in the current business plan of the Company as provided to Parent) or (B) outside the ordinary course of business, without the consent of Parent (which consent shall not be unreasonably withheld); or (3) cancel, compromise, waive or release any right or claim (or series of related rights and claims) not covered by the reserves or accruals relating to such claim on the Company's unaudited balance sheet as of June 30, 2001, which the Company has made available to Parent, (A) involving more than $100,000 or (B) outside the ordinary course of business, without the consent of Parent (which consent shall not be unreasonably withheld); *provided, however*, that the restrictions contained in this Section 7.1(c) shall expire upon the Parties' receipt a "second request" for information from the Federal Trade Commission or the Antitrust Division of the Department of Justice under the HSR Act;

(d) use, operate, maintain and repair all of its assets and properties in a normal business manner consistent with its past practices;

(e) use commercially reasonable efforts to preserve in all material respects its business organization intact, to retain the services of its employees, subject to changes in the ordinary course, and to conduct business with distributors, resellers, suppliers, customers, creditors and others having business relationships with the Company in the best interests of the Company;

(f) not knowingly do any act or knowingly omit to do any act or, to the extent within the Company's reasonable control, knowingly permit any act or omission to act, which will cause a breach of any of its Contracts that would have a Material Adverse Effect on the Company;

(g) use reasonable efforts to maintain all of its material Existing Insurance Policies (or policies substantially equivalent thereto) in full force and effect;

(h) not (1) except as required by any Contract to which the Company is a party or in a manner consistent with past practice, grant any increase in the rate of pay of any of its employees; (2) institute or amend any Employee Benefit Plan unless required by Law, (3) enter into or modify any written employment agreement with any Person, or (4) except for commissions, and regularly scheduled payments under the Company's Success Sharing Plan, as in effect on the date hereof, in a manner consistent with past practice, pay or accrue any bonus or incentive compensation to any Person;

(i) other than in the ordinary course of business or under the Company's existing line of credit, as in effect on the date hereof, not create, incur or assume any Indebtedness or make any Investment;

(j) not amend its Certificate of Incorporation or Bylaws;

(k) not (1) issue any additional shares of stock of any class (except pursuant to its Existing Options outstanding on the date hereof) or grant any warrants, options or rights to subscribe for or acquire any additional shares of stock of any class, except that the Company may grant additional options under the Company's 1998 Stock Option and Grant Plan, as in effect on the date hereof, to employees who are hired by the Company after the date hereof, *provided that* no such option shall vest or become exercisable prior to the first anniversary of the date of its grant, which shall not accelerate as a result of the Offer, the Merger or the other transactions contemplated hereby, or otherwise on or prior to the Effective Time, and *provided further that* no such employee shall receive, in the aggregate, options to purchase more than 5,000 shares of Company Common Stock; (2) declare or pay any dividend or make any capital, surplus or other distributions (other than normal salaries) of any nature to the Stockholders; or (3) directly or indirectly redeem, purchase or otherwise acquire, recapitalize or reclassify any of its capital stock or liquidate in whole or in part;

(l) timely and properly file, or timely and properly file requests for extensions to file, all Federal, state, local and foreign tax returns which are required to be filed, and pay or make provision for the payment of all Taxes owed by it;

(m) not knowingly do any act or omit to do any act that would result in a breach of any representation, warranty, or covenant of the Company set forth in this Agreement; and

(n) not enter into any agreement, arrangement or understanding with respect to any of the foregoing.

7.2 ***Access.*** Subject to the provisions of the Confidentiality Agreement, from and after the expiration or termination of all applicable waiting periods under the HSR Act and until the earlier of the termination of this Agreement or the Effective Time, upon reasonable request, the Company shall afford to Parent and to Parent's agents, accountants, officers, employees, attorneys and other authorized advisers and representatives reasonable access, during normal business hours, to the Company's properties, facilities, books, records, financial statements and other documents and materials relating to its financial condition, assets, liabilities and business. In addition, from and after the date of this Agreement and until the earlier of the termination of this Agreement or the Effective Time, the Company, upon reasonable request, shall confer and consult with representatives of Parent to report on operational matters, financial matters and the general status of ongoing business operations of the Company. From time to time after the date of this Agreement and until the earlier of the termination of this Agreement or the Effective Time, the Company shall furnish promptly to Parent a copy of each report, schedule and other document filed by the Company or received by the Company after the date of this Agreement pursuant to the requirements of Federal or state securities Laws promptly after such

documents are available. Notwithstanding any of the foregoing, neither the Company nor any of its Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of its customers, jeopardize the attorney-client privilege of the institution in possession or control of such information or contravene any Law, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties hereto will make appropriate substitute disclosure arrangements under the circumstances in which the restrictions of the preceding sentence apply. No information or knowledge obtained in any investigation, pursuant to this Section 7.2 or otherwise, will affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the parties to consummate the Offer and the Merger.

7.3 ***Meeting of Stockholders***.

(a) If required to effect the Merger, the Company shall, consistent with applicable Law and its Certificate of Incorporation and By-laws, call and hold a special meeting of Stockholders, as promptly as practicable following acceptance of the shares of Company Common Stock pursuant to the Offer, for the purpose of voting upon the adoption or approval of this Agreement (the "**Special Meeting**"), and shall use all reasonable efforts to hold its Special Meeting as soon as practicable thereafter. At the Special Meeting all of the shares of Company Common Stock then owned by Parent, Merger Sub or any other subsidiary of Parent shall be voted to approve the Merger and this Agreement. The Company shall, subject to the applicable fiduciary duties of its directors, as determined by such directors in good faith after consultation with its outside legal counsel (who may be its regularly engaged outside legal counsel), (1) use all reasonable efforts to solicit from Stockholders proxies in favor of the adoption or approval, as the case may be, of the Merger, (2) take all other action necessary or advisable to secure the vote or consent of Stockholders, as required by the DGCL to obtain such adoption or approvals, and (3) include in the Proxy Statement the recommendation of its Board of Directors in favor of the Merger.

(b) Parent and Merger Sub shall not, and they shall cause their Subsidiaries not to, sell, transfer, assign, encumber or otherwise dispose of the shares of Company Common Stock acquired pursuant to the Offer or otherwise prior to the Special Meeting; *provided, however,* that this Section 7.3(b) shall not

apply to the sale, transfer, assignment, encumbrance or other disposition of any or all of such shares in transactions involving solely Parent, Merger Sub and/or one or more of their wholly-owned Subsidiaries.

(c) Parent shall vote (or consent with respect to) any shares of common stock of Merger Sub beneficially owned by it, or with respect to which it has the power (by agreement, proxy, or otherwise) to cause to be voted (or to provide a consent), in favor of the adoption of this Agreement and the Merger at any meeting of the stockholders of Merger Sub at which this Agreement and the Merger shall be submitted for adoption and at all adjournments or postponements thereof (or, if applicable, by any action of the stockholders of Merger Sub by consent in lieu of a meeting).

7.4 ***Proxy Statement***.

(a) If the Special Meeting is required to effect the Merger, Parent shall supply the Company with the information pertaining to Parent required by the Exchange Act for inclusion or incorporation by reference in the proxy statement relating to the Special Meeting (together with any amendments thereof or supplements thereto, the "**Proxy Statement**"), which information will not, at the date mailed to Stockholders and at the time of the Special Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. If before the Effective Time, any event or circumstance relating to Parent or any of its Subsidiaries, or their respective officers or directors, should be discovered by Parent that should be set forth in an amendment or a supplement to the Proxy Statement, Parent shall promptly inform the Company.

(b) If the Special Meeting is required to effect the Merger, the Company shall prepare and file with the SEC the Proxy Statement relating to its Special Meeting. As promptly as practicable after comments are received from the SEC on the preliminary proxy materials and after the furnishing by the Company of all information required to be contained therein, the Company shall mail the Proxy Statement to its Stockholders.

7.5 ***Additional Reports.*** The Company shall furnish to Parent copies of any Company SEC Reports which it files with the SEC on or after the date hereof, and the Company represents and warrants that as of the respective dates thereof, such reports will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in light of the circumstances under which they were made, not misleading. Any unaudited consolidated interim financial statements included in such reports (including any related notes and schedules) will fairly present, in all respects, the financial condition of the Company as of the dates thereof and the results of operations and cash flows or other information included therein for the periods or as of the dates then ended, in each case in accordance with past practice and GAAP consistently applied during the periods involved (except as otherwise disclosed in the notes thereto and subject, where appropriate, to normal year-end adjustments).

7.6 ***Confidentiality Agreement.*** The Company and Parent agree that the Confidentiality Agreement remains in effect, but shall at the Effective Time be deemed to have terminated without further action by the parties.

7.7 ***Regulatory and Other Approvals***.

(a) Subject to the terms and conditions herein provided, the Company and Parent will (1) take all reasonable steps necessary or desirable, and proceed diligently and in good faith and use all reasonable efforts to obtain all approvals required by any Contract to consummate the transactions contemplated hereby, (2) cooperate with each other in obtaining all approvals, authorizations, and clearances of Governmental Entities required of the Company or Parent to permit the Company and Parent to consummate the transactions contemplated hereby, and (3) provide such other information and communications to such Governmental Entities as such authorities may reasonably request.

(b) The Company and Parent will (1) take all reasonable actions necessary to file as soon as practicable, but in no event later than three Business Days after the execution of this Agreement, notifications under the HSR Act and (2) comply at the earliest practicable date with any request for additional information received from the Federal Trade Commission or Antitrust Division of the Department of Justice pursuant to the HSR Act.

(c) The Company and Parent shall use their respective best efforts to resolve such objections, if any, as may be asserted by any governmental or regulatory authority with respect to the transactions contemplated by this Agreement under the HSR Act. In connection therewith, if any administrative or judicial action or proceeding is instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement as violative of any Law designed to prohibit, restrict or regulate actions having the purpose of effect of monopolization or restraint or trade, each of Parent and the Company shall cooperate and use their respective best efforts vigorously to contest and resist any such action or proceedings and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of any such transaction. Each of Parent and the Company shall use their respective best efforts to take such action as may be required to cause the expiration of the applicable waiting periods under the HSR Act with respect to such transactions as promptly as possible after the date of this Agreement (other than requesting early termination of such waiting periods).

(d) The Company and Parent shall, except to the extent impermissable under, or inconsistent with, applicable Law, (i) promptly notify the other of, and if in writing, furnish the other with copies of (or, in the case of material oral communications, advise the other orally of), any communications from or with any Governmental Entity with respect to the Offer, the Merger or any of the other transactions contemplated by this Agreement, (ii) permit the other party to review and discuss in advance, and consider in good faith the views of one another in connection with, any proposed written (or any material proposed oral) communication with any Governmental Entity, (iii) not participate in any meeting with any Governmental Entity unless it consults with the other party in advance and, to the extent permitted by such Governmental Entity, gives the other party the reasonable opportunity to attend and participate at any such meeting, (iv) furnish the other party with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between it and any Governmental Entity with respect to this Agreement, the Offer and the Merger, and (v) furnish the other party with such necessary information and reasonable assistance as such other party may reasonably request in connection with its preparation of necessary filings or submissions of information to any Governmental Entity. The Company and Parent may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this Section 7.7(d) as "outside counsel only." Such materials, and the information contained

therein, shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient unless express permission is obtained in advance from the source of the materials (the Company or Parent, as the case may be) or such source's legal counsel.

7.8 ***No Solicitation***.

(a) From and after the date of this Agreement until the earlier of the termination of this Agreement or the Effective Time, the Company will not, and will not permit its directors, officers, or investment bankers to, and will use its reasonable efforts to cause its employees, representatives and other agents not to, directly or indirectly, (1) solicit, initiate, or encourage any Acquisition Proposals, (2) engage in negotiations or discussions concerning, or provide any non-public information to any person or entity in connection with, any Acquisition Proposal, or (3) agree to, approve, recommend or otherwise endorse or support any Acquisition Proposal. As used herein, the term "**Acquisition Proposal**" shall mean any proposal relating to a possible (1) merger, consolidation or similar

transaction involving the Company, (2) sale, lease or other disposition, directly or indirectly, by merger, consolidation, share exchange or otherwise, of any assets of the Company representing, in the aggregate, 50% or more of the assets of the Company on a consolidated basis, (3) issuance, sale or other disposition of (including by way of merger, consolidation, share exchange or any similar transaction) securities (or options, rights or warrants to purchase or securities convertible into, such securities) representing 50% or more of the votes attached to the outstanding securities of the Company, (4) liquidation, dissolution, or other similar type of transaction with respect to the Company, or (5) transaction which is similar in form, substance or purpose to any of the foregoing transactions; *provided, however,* that the term "**Acquisition Proposal**" shall not include the Offer, the Merger and the transactions contemplated hereby. The Company will immediately cease any and all existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing.

(b) Notwithstanding the provisions of Section 7.8(a), nothing contained in this Agreement shall prevent the Company or its Board of Directors, directly or through representatives or agents on behalf of the Board of Directors, from (1) furnishing non-public information to, or entering into discussions or negotiations with, any Person in connection with an unsolicited bona fide Acquisition Proposal by such Person, if (A) such Acquisition Proposal would, if consummated, result in a transaction that, in the reasonable good faith judgment of the Board of Directors of the Company, after consultation with its financial advisors and outside legal counsel, is a Superior Proposal (as defined below), (B) such action, in the reasonable good faith judgment of the Board of Directors of Company after consultation with the Company's outside legal counsel, is necessary to comply with the fiduciary duties of the Company's Board of Directors to the Stockholders under DGCL, and (C) prior to furnishing such non-public information to, or entering into discussions or negotiations with, such Person, the Company's Board of Directors receives from such Person an executed confidentiality agreement with customary confidentiality provisions, or (2) complying with Rule 14d-9 and Rule 14e-2 promulgated under the Exchange Act or other applicable law with regard to an Acquisition Proposal. The Company agrees to promptly, and in any event within one day, advise Parent of (x) the existence of any inquiries or proposals (or desire to make a proposal) received by (or indicated to) it after the date hereof, any such information requested from, or any negotiations or discussions sought to be initiated or continued with, the Company, its Affiliates, or any of the respective directors, officers, employees, agents or representatives of the foregoing, in each case from a Person (other than Parent and its representatives) with respect to an Acquisition Proposal, and (y) the material terms thereof and will provide to Parent copies of any written material received by the Company or provided by the Company to such Person in connection with such inquiry or proposal. In addition, the Company will notify Parent of the identity of such Person immediately upon the earlier of receipt of a formal proposal from, or the Company's execution of a confidentiality agreement with, such Person. If the Company engages in discussions or negotiations with respect to any such Acquisition Proposal thereafter in accordance with clause (x) above, the Company shall keep Parent and Merger Sub informed as to such discussions and negotiations and the material terms being discussed or negotiated and will provide Parent copies of any written materials used in connection with such discussions and negotiations. "**Superior Proposal**" means any unsolicited, bona fide, written Acquisition Proposal which the Board of Directors of the Company concludes in good faith (after receipt of the advice of its financial advisor and outside legal counsel), taking into account all legal, financial, regulatory, fiduciary and other aspects of the proposal, including without limitation the need to obtain any necessary financing, and the Person making such proposal, (i) would, if consummated, result in a transaction that is more favorable to the Stockholders (in their capacities as stockholders), from a financial point of view (other than Parent and Merger Sub), than the transactions contemplated by this Agreement and (ii) is reasonably capable of being financed and completed.

(c) In the event the Company receives a Superior Proposal prior to the approval of this Agreement and the Merger by the Stockholders at the Company's Special Meeting, nothing contained in this Agreement shall prevent the Board of Directors of the Company from accepting or approving

such Superior Proposal, or recommending such Superior Proposal to the Stockholders, if the Board of Directors (i) reasonably determines in good faith, based upon the advice of the Company's outside corporate counsel, that the failure to take such action may constitute a breach of the fiduciary duties of the Company's Board of Directors to the Stockholders under DGCL, (ii) provides Parent with at least two Business Days prior written notice of its intention to do so, (iii) causes its financial and legal advisors to afford Parent the opportunity to match the Superior Proposal and to negotiate with Parent to make other adjustments in the terms and conditions of this Agreement as would enable the Company to proceed with the transaction described herein on such adjusted terms and (iv) has not received from Parent, within the two Business Day notice period described in (ii) above, an offer that the Board of Directors determines, in good faith after consultation with its financial advisors matches or exceeds the Superior Proposal, in such case, the Board of Directors may amend, withhold or withdraw its recommendation of the Offer or the Merger. Notwithstanding the foregoing, this Agreement shall remain in full force and effect unless this Agreement is otherwise terminated in accordance with Article 9.

7.9 ***Public Announcements.*** Any public announcement made by or on behalf of either Parent or the Company prior to the termination of this Agreement pursuant to Article 9 concerning this Agreement, the transactions described herein or any other aspect of the dealings heretofore had or hereafter to be had between the Company and Parent and their respective Affiliates must first be approved by the other party (any such approval not to be unreasonably withheld), subject to either party's obligations under applicable Law or Stock Market listing requirements or rules (but such party shall use its reasonable best efforts to consult with the other party as to all such public announcements).

7.10 ***Expenses***.

(a) Except as set forth in this Section 7.10 and Section 9.3, all fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses, whether or not the Merger is consummated.

(b) Parent shall be responsible for paying Parent's and the Company's filing fees for the premerger notification and report forms under the HSR Act.

7.11 ***Certain Benefit Plans.*** Except as otherwise provided in Section 4.4, Parent agrees that the Company will assume and honor and, from and after the Effective Time, it will cause the Surviving Corporation to assume and honor all obligations under Employee Benefit Plans of the Company and all employment, change-in-control, retention, severance and other similar agreements entered into by the Company prior to the date hereof, including those which provide for the payment, vesting or acceleration of benefits to employees, former employees or directors or former directors of the Company upon or in connection with a change in control of the Company (all of which are listed in Section 5.25 of the Company Disclosure Letter); *provided, however,* that nothing in this Agreement shall be interpreted as limiting the power of Parent or the Surviving Corporation to amend or terminate any such Employee Benefit Plan or as requiring Parent or the Surviving Corporation to offer to continue (other than as required by its terms) any written employment contract so long as any such action shall not adversely affect the accrued rights or accrued benefits of any employees or other beneficiaries which shall have arisen thereunder prior to such amendment or termination and shall not affect any rights or benefits for which the agreement of the other party or a beneficiary is required as a condition to any such amendment or termination. Parent or the Surviving Corporation shall offer to each employee of the Company who remains an employee of the Surviving Corporation or who becomes an employee of Parent after the Effective Time (a "**Continuing Employee**") participation in employee benefit plans of Parent as deemed appropriate by Parent. Parent will, or will cause the Surviving Corporation or another appropriate Subsidiary of Parent to, give Continuing Employees full credit under such plans for prior service at the Company for purposes of eligibility, vesting, benefit accrual,

and determination of the level of benefits for prior service at the Company or any corporate predecessor of the Company.

7.12 ***Indemnification***.

(a) From and after the date of this Agreement through and including the Effective Time (without regard to the termination of this Agreement), neither Parent nor the Company will take any action, nor permit any action to be taken, which would change or amend the provisions of the Certificate of Incorporation or the Bylaws of the Company in effect on the date hereof relating to limitation of liability or indemnification inconsistent with its obligations under Section 7.12(b) hereof or eliminate or make any modification in the Company's existing directors' and officers' insurance inconsistent with its obligations under Section 7.12(c) hereof. Parent agrees that from and after the Effective Time all rights to indemnification now existing in favor of individuals who at or prior to the Effective Time were directors or officers of the Company as set forth in the Certificate of Incorporation or the Bylaws of the Company shall survive the Merger with respect to matters existing or occurring at or prior to the Effective Time and shall continue in full force and effect for a period of six years following the Effective Time. In the event the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other person and the Surviving Corporation shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then, and in each such case, proper provision shall be made so that the successors and assigns of the Surviving Corporation shall assume the obligations set forth in this Section 7.12.

(b) The Company shall, and from and after the Effective Time, the Surviving Corporation shall, indemnify, defend and hold harmless each person who is now, or has been at any time prior to the date hereof or who becomes prior to the Effective Time, an officer or director of the Company (each individually an "**Indemnified Party**" and, collectively, the "**Indemnified Parties**") against all losses, claims, damages, costs, expenses (including attorneys' fees and expenses), liabilities or judgments or amounts that are paid in settlement with the approval of the Indemnifying Party as a result of or in connection with any threatened or actual claim, action, suit, proceeding or investigation based on or arising out of the fact that such person is or was a director or officer of the Company or out of or in connection with activities in such capacity, whether pertaining to any matter existing or occurring at or prior to the Effective Time and whether asserted or claimed prior to, or at or after, the Effective Time ("**Indemnified Liabilities**"), including all Indemnified Liabilities based on, or arising out of, or pertaining to this Agreement or the transactions contemplated hereby, in each case to the full extent a corporation is permitted under DGCL to indemnify any such person and, without limiting the generality or effect of the foregoing, to the fullest extent provided in the Certificate of Incorporation, the Bylaws of the Company or any indemnification agreement between the Company and such person as in effect on the date hereof. Parent will cause the Surviving Corporation to pay expenses in advance of the final disposition of any such action or proceeding to each Indemnified Party to the fullest extent permitted by law and, without limiting the generality or effect of the foregoing, to the fullest extent provided in the respective Certificate of Incorporation or Bylaws of the Company or any indemnification agreement between the Company and such Indemnified Party as in effect on the date hereof subject to receipt by the Company of an undertaking by or on behalf of such officer or director contemplated by DGCL. Without limiting the generality or effect of the foregoing, in the event any such claim, action, suit, proceeding or investigation is brought against any Indemnified Parties (whether arising before or after the Effective Time) and, in the opinion of counsel to an Indemnified Party, under applicable standards of professional conduct, there is a conflict on any significant issue between the position of the Company and an Indemnified Party or different defenses may reasonably be expected to exist, the Indemnified Parties may retain counsel, which counsel shall be reasonably satisfactory to the Company (or the Surviving Corporation after the Effective Time), and the Company shall (or after the Effective Time, Parent will cause the Surviving Corporation to) pay all reasonable

fees and expenses of such counsel for the Indemnified Parties promptly as statements therefor are received, *provided, however* that (1) Parent or the Surviving Corporation shall have the right, from and after the Effective Time, to assume the defense thereof (which right shall not affect the right of the Indemnified Parties to be reimbursed for separate counsel as specified in the preceding sentence), (2) the Company and the Indemnified Parties will cooperate in the defense of any such matter and (3) neither Parent, the Company nor the Surviving Corporation shall be liable for any settlement effected without its prior written consent. Any Indemnified Party wishing to claim indemnification under this Section 7.12, upon learning of any such claim, action, suit, proceeding or investigation, shall promptly notify both Parent and the Company (or, after the Effective Time, the Surviving Corporation) (but the failure to so notify shall not relieve a party from any liability which it may have under this Section 7.12 except and only to the extent such failure materially prejudices such party). The Indemnified Parties as a group may not retain more than one counsel to represent them with respect to each such matter unless there is, in the opinion of counsel to an

Indemnified Party, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more Indemnified Parties or unless different defenses may reasonably be expected to exist. The Company, Parent and Merger Sub agree that all rights to indemnification, including provisions relating to advances of expenses incurred in defense of any action or suit, existing in favor of the Indemnified Parties with respect to matters occurring through the Effective Time, shall survive the Merger and shall continue in full force and effect for a period of not less than six years from the Effective Time; *provided, however,* that all rights to indemnification in respect of any Indemnified Liabilities asserted or made within such period shall continue until the disposition of such Indemnified Liabilities.

(c) No later than the Effective Time, the Company and the Surviving Corporation shall purchase tail coverage for not less than six years from the Effective Time under the current policies of the directors' and officers' liability insurance maintained by the Company; *provided, however,* that the Surviving Corporation may purchase substitute tail coverage policies of at least the same coverage amounts and which contain terms and conditions not less advantageous to the beneficiaries of the current policies and provided that such substitution shall not result in any gaps or lapses in coverage with respect to matters occurring prior to the Effective Time; *provided, further,* that the Surviving Corporation shall not be required to pay an annual premium in excess of 1200% of the last annual premium paid by the Company prior to the date hereof ("**Maximum Premium**"); and *provided, further,* that if the Surviving Corporation is unable to obtain insurance required by this Section 7.12 for the Maximum Premium, it shall obtain as much comparable insurance as is possible for an aggregate premium equal to the Maximum Premium.

(d) Parent hereby irrevocably and unconditionally guarantees the payment and performance of obligations of the Surviving Corporation under this Section 7.12.

(e) This Section 7.12 shall survive the consummation of the Merger at the Effective Time, is intended to benefit the Company, the Surviving Corporation and the Indemnified Parties, shall be binding on all successors and assigns of Parent and the Surviving Corporation and shall be enforceable by the Indemnified Parties.

7.13 ***Takeover Law.*** Neither the Company, Parent nor Merger Sub shall take any action that would cause the Offer, the Merger or the other transactions contemplated by this Agreement to be subject to the requirements of any Takeover Law. If any Takeover Law shall become applicable to the Offer, the Merger or the other transactions contemplated by this Agreement, each of the Company and Parent and their respective Boards of Directors shall grant such approvals and take such actions as are necessary so that the Offer, the Merger and the other transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated by this Agreement, and otherwise act to eliminate or minimize the effects of such Takeover Law on the Offer, the Merger and the other transactions contemplated by this Agreement.

7.14 ***Notification of Certain Matters.*** Between the date of this Agreement and the Effective Time, each of the Company and Parent will promptly notify the other in writing if such Party becomes aware of any development, fact or condition that (1) is reasonably likely, individually or with other existing developments, facts or conditions, to result in a Material Adverse Effect with respect to such Party, or (2) causes or constitutes a breach of any agreement or covenant under this Agreement applicable to such Party or of such Party's representations and warranties as of the date of this Agreement, or if such Party becomes aware of the occurrence after the date of this Agreement of any fact or condition that would cause or constitute a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Not less than ten Business Days prior to the Consummation of the Offer or upon expiration or termination of all applicable waiting periods under the HSR Act, whichever is later, the Company shall supplement or amend the Company Disclosure Letter to disclose all the New Product Information, *provided, however*, that the Company shall not have the right to supplement or amend the Company Disclosure Letter for any other reason or with respect to any information other than the New Product Information (although the Company shall be obligated to make the notifications to Parent required by the first sentence of this Section 7.14).

7.15 ***Reasonable Best Efforts.*** So long as this Agreement has not been terminated, the Company, Parent and Merger Sub shall: (1) promptly make their respective filings (including filings required pursuant to the Exchange Act), obtain waivers, consents, permits and approvals, and thereafter make any other submissions required under all applicable Laws in order to consummate the Merger and the other

transactions contemplated hereby and (2) use their respective reasonable best efforts to promptly take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or appropriate to consummate the Merger and the other transactions contemplated by this Agreement.

7.16 ***Stockholder Litigation.*** The Parties shall cooperate and consult with one another, to the fullest extent possible, in connection with any stockholder litigation against any of them or any of their respective directors or officers with respect to the transactions contemplated by this Agreement. In furtherance of and without in any way limiting the foregoing, each of the Parties shall use its respective reasonable best efforts to prevail in such litigation so as to permit the consummation of the transactions contemplated by this Agreement in the manner contemplated by this Agreement. Notwithstanding the foregoing, the Company shall not compromise or settle any litigation commenced against it or its directors or officers relating to this Agreement or the transactions contemplated hereby (including the Merger) without Parent's prior written consent, which shall not be unreasonably withheld or delayed.

7.17 ***Number of Shares Necessary for Minimum Condition.*** The Company will promptly notify Parent in the event that the number of shares of Company Common Stock required to satisfy the Minimum Condition exceeds 6,478,129.

ARTICLE 8

CONDITIONS TO THE MERGER

8.1 ***Conditions to Each Party's Obligation to Effect the Merger.*** The respective obligation of each Party to consummate and effect the Merger shall be subject to the satisfaction prior to or at the Closing as hereinafter provided of the following conditions, each of which may be waived in whole or in part by the Party for whose benefit the condition exists, to the extent permitted by Law:

(a) Any applicable waiting period under the HSR Act rules shall have expired or been terminated.

(b) This Agreement, the Merger and the transactions contemplated by this Agreement shall, if necessary, have received the requisite approval and authorization of the Stockholders and the stockholders of Merger Sub in accordance with applicable Law and the Certificate of Incorporation and Bylaws of the Company and Merger Sub, as the case may be.

(c) No stop order or similar proceeding in respect of the Proxy Statement shall have been initiated or threatened in writing by the SEC; and all requests for additional information on the part of the SEC shall have been complied with to the reasonable satisfaction of the parties hereto.

(d) No Law, order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any Governmental Entity which (1) prohibits the consummation of the Merger on the terms contemplated by this Agreement; (2) would cause any of the transactions contemplated by this Agreement to be rescinded following consummation or (3) would materially and adversely affect the right of Parent to own, operate or control any material portion of the assets and operations of the Surviving Corporation.

(e) Consummation of the Offer shall have occurred.

ARTICLE 9

TERMINATION, WAIVER AND AMENDMENT

9.1 ***Termination.*** This Agreement may be terminated and the Offer, the Merger and transactions contemplated by this Agreement may be abandoned at any time prior to the Effective Time (whether before or after the approval of this Agreement by the Stockholders), as follows:

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

(b) by either of Parent or the Company:

(1) if the Consummation of the Offer does not occur on or before November 15, 2001 (*provided that*, if the Consummation of the Offer shall not have occurred by such date due to the applicable waiting periods under the HSR Act not having expired or been terminated, then such date shall be extended to December 31, 2002), unless such failure is the result of a breach of this Agreement by the party seeking to terminate this Agreement;

(2) if any Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their respective best efforts to lift) which permanently restrains, enjoins or otherwise prohibits consummation of the Offer or the Merger and such order, decree, ruling or other action shall have become final and non-appealable; provided that the party seeking to terminate this Agreement pursuant to this Section 9.1(b)(2) has fully complied with and performed its obligations pursuant to Section 7.7;

(3) if there shall be any Law enacted, promulgated or issued and applicable to the Offer or the Merger by any Governmental Entity which would make consummation of the Offer or the Merger illegal; or

(4) if the Offer terminates or expires in accordance with its terms as the result of the failure of any of the conditions set forth in Annex I hereto without Merger Sub having purchased any shares of Company Common Stock pursuant to the Offer; *provided, however,* that the right to terminate this Agreement pursuant to this subsection (b)(4) shall not be available to any party whose breach of the Agreement or failure to fulfill any of its obligations under this Agreement results in the failure of any such condition.

(c) by the Company:

(1) if Parent or Merger Sub shall have breached in any material respect any of their respective representations, warranties, covenants or other agreements contained in this Agreement, which breach (A) cannot be or has not been cured, in all material respects, within 20 Business Days after the giving of written notice to Parent or Merger Sub, as applicable, and (B) would result in the failure to satisfy a condition set forth in Annex I;

(2) if the Parties (A) have received a "second request" for information from the Federal Trade Commission or the Antitrust Division of the Department of Justice under the HSR Act and (B) clearance has not been obtained from such agency and the applicable waiting period has not terminated or expired within 60 days after receipt of such second request, unless such failure is the result of a breach of this Agreement by the Company; provided that the Company's right to terminate this Agreement under this subsection shall expire at midnight on the fifth Business Day after such 60th day;

(3) if the Company's Board of Directors (i) determines that an Acquisition Proposal constitutes a Superior Proposal and the Company's Board of Directors believes (after consulting with outside legal counsel) that terminating this Agreement and entering into an agreement to effect the Superior Proposal is necessary to comply its fiduciary duties and (ii) complies with the provisions of Section 7.8, including affording Parent an opportunity to match the Superior Proposal; or

(4) if the Offer has not been timely commenced in accordance with Section 2.1.

(d) by Parent:

(1) if the Company shall have breached any representation, warranty, covenant or other agreement contained in this Agreement, except for any such breach which (A) can be and is cured, in all material respects, within 20 Business Days after the giving of written notice to the Company or (B) without regard to any qualification or reference to materiality or Material Adverse Effect set forth in any representation and warranty, has not had and would not have, individually or in the aggregate with any other such breaches, a Material Adverse Effect; or

(2) if the Board of Directors of the Company (A) withholds or withdraws or modifies in a manner adverse to Parent or Merger Sub its recommendation of the Offer, the Merger or the Agreement, or (B) shall have approved a Superior Proposal.

9.2 ***Effect of Termination.*** In the event of termination of this Agreement pursuant to Section 9.1, this Agreement shall become void and of no further force and effect, except for (1) the provisions of Section 7.2 relating to the obligations of the parties to keep confidential and not to use certain information obtained from the other party, (2) the provisions of Sections 7.10 and 9.3 and *Article 10* (other than Section 10.1) and (3) termination of this Agreement pursuant to any paragraph of Section 9.1 that is caused by a breach of a party, in which case the party whose breach was the basis for the termination will not be relieved from any liability for its breach.

9.3 ***Termination Fee***.

(a) The Company shall pay Parent a termination fee if this Agreement is terminated as follows:

(i) If this Agreement is terminated pursuant to Section 9.1(d)(1) as a result of a breach of Section 7.8 and the Company enters into an agreement to effect a Superior Proposal within twelve months after such termination, the Company shall pay Parent a fee of $5,600,000 promptly, and any event within five Business days, following execution of such agreement.

(ii) If this Agreement is terminated pursuant to Section 9.1(c)(3) or 9.1(d)(2), the Company shall (1) pay Parent a fee of $5,600,000 promptly, and in any event within five Business Days, following termination of this Agreement.

Furthermore, if this Agreement is terminated pursuant to Section 9.1(d)(1) as a result of a breach of Section 7.8 or is terminated pursuant to Section 9.1(c)(3) or 9.1(d)(2), the Company shall promptly, and in any event within five Business Days, following such termination, reimburse Parent for all reasonable out-of-pocket expenses of Parent (including the fees and expenses of its legal and financial advisors) related in any manner to this Agreement or the transactions contemplated hereby, and incurred by Parent on or after December 8, 2000.

(b) Parent shall pay Company a fee of $3,100,000 if this Agreement is terminated pursuant to Section 9.1(c)(1).

(c) Any payment required to be made pursuant to Section 9.3(a) or (b) shall be made as promptly as practicable but in any event not later than five business days after the party seeking the payment delivers a written request for such payment and shall be made by wire transfer of immediately available funds to an account designated by such requesting party.

(d) Notwithstanding the foregoing, in no event shall the Company be obligated to pay more than one such termination fee with respect to all such occurrences.

9.4 ***Limitation on Remedies.*** Notwithstanding anything in this Agreement to the contrary, (a) the payment by the Company of fees and expenses pursuant to Section 9.3(a) shall be Parent's and Merger Sub's exclusive remedy against the Company is terminated pursuant to Section 9.1(d)(1) as a result of a breach of Section 7.8 or is terminated pursuant to Section 9.1(c)(3) or 9.1(d)(2); and (b) the payment by Parent of a fee pursuant to Section 9.3(b) shall be the Company's exclusive remedy against Parent and Merger Sub in the event this Agreement is terminated pursuant to Section 9.1(c)(1).

9.5 ***Notice of Termination.*** Any termination of this Agreement under Section 9.1 above will be effective immediately upon the delivery of written notice of the terminating Party to the other Parties hereto upon satisfaction of the requirements set forth in Section 9.1.

ARTICLE 10

MISCELLANEOUS

10.1 ***No Survival of Representations and Warranties.*** The representations and warranties made in this Agreement shall not survive beyond the Effective Time, and only the covenants that by their terms survive the Effective Time shall survive the Effective Time.

10.2 ***Entire Agreement.*** This Agreement and the documents referred to in, or contemplated by, this Agreement, including the Company Disclosure Letter, constitute the entire agreement among the Parties pertaining to the subject matter of this Agreement, and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions of the Parties, whether oral or written, and there are no warranties, representations or other agreements between the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement, it being understood that the Confidentiality Agreement shall continue in full force and effect until the Effective Time and shall survive termination of this Agreement.

10.3 ***Amendment.*** This Agreement may be amended by the Parties hereto at any time only by execution of an instrument in writing signed on behalf of each of the Parties hereto.

10.4 ***Extension; Waiver.*** At any time prior to the Effective Time, any Party hereto may, to the extent legally allowed, (1) extend the time for the performance of any of the obligations or other acts of the other Parties hereto, (2) waive any inaccuracies in the representations and warranties made to such Party contained herein or in any document delivered pursuant hereto and (3) waive compliance with any of the agreements or conditions for the benefit of such Party contained herein. Any agreement on the part of a Party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party.

10.5 ***Governing Law.*** This Agreement shall be governed and construed in accordance with the Laws of the State of Delaware, without regard to the conflict of laws rules thereof.

10.6 ***Assignment; Binding Effect.*** Neither this Agreement, nor any rights, obligations or interests hereunder, may be assigned by any Party hereto, except with the prior written consent of the other Parties hereto. Subject to the preceding sentence, this Agreement shall be binding upon, and shall inure to the benefit of, the Parties hereto and their respective successors and assigns.

10.7 ***Notices.*** All communications or notices required or permitted by this Agreement shall be in writing and shall be deemed to have been given at the earlier of the date personally delivered or sent by telephonic facsimile transmission (with a copy via other means specified herein) or one day after sending via nationally recognized overnight courier or five days after deposit in the United States mail, certified or registered mail, postage prepaid, return receipt requested, and addressed as follows, unless and until any of such parties notifies the others in accordance with this Section 10.7 of a change of address:

If to the Company:

Fargo Electronics, Inc.
6533 Flying Cloud Drive
Eden Prairie, MN 55344
Telephone: (952) 941-9470
Fax: (952) 941-7836
Attention: General Counsel

With a copy to:

Oppenheimer Wolff & Donnelly LLP
Plaza VII, Suite 3300
45 South Seventh Street
Minneapolis, MN 55402-1609
Telephone: (612) 607-7000

Fax: (612) 607-7100
Attention: Bruce A. Machmeier, Esq.

If to Parent or Merger Sub:

Zebra Technologies Corporation
333 Corporate Woods Parkway
Vernon Hills, IL 60061
Telephone: (847) 634-6700
Fax: (847) 913-8766
Attention: Chief Executive Officer

with a copy to:

Katten Muchin Zavis
525 W. Monroe
Suite 1600
Chicago, Illinois 60661-3693
Telephone: (312) 902-5207
Fax: (312) 577-8885
Attention: Herbert S. Wander, Esq.

10.8 ***Counterparts.*** This Agreement may be executed in several counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same Agreement.

10.9 ***Interpretation.*** Unless the context requires otherwise, all words used in this Agreement in the singular number shall extend to and include the plural, all words in the plural number shall extend to and include the singular, and all words in any gender shall extend to and include all genders. The use of the word "including" in this Agreement means "including without limitation" and is intended by the parties to be by way of example rather than limitation. The Article and Section headings in this Agreement are inserted for convenience of reference only and shall not constitute a part hereof.

10.10 ***Specific Performance.*** The Parties agree that the assets and business of the Company as a going concern constitute unique property and, accordingly, each Party shall be entitled, at its option and in addition to any other remedies available as herein provided, to the remedy of specific performance to effect the Merger as provided in this Agreement.

10.11 ***Waiver of Jury Trial.*** EACH OF PARENT, THE COMPANY AND MERGER SUB HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF PARENT, THE COMPANY OR MERGER SUB IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT HEREOF.

10.12 ***No Third Party Beneficiary; No Reliance.*** Except as provided pursuant to Sections 7.11, 7.12, and 9.2 hereof, (a) the terms and provisions of this Agreement are intended solely for the benefit of the Parties hereto and their respective successors and assigns and it is not the intention of the Parties to confer third-party beneficiary rights upon any other Person, (b) no Person is entitled to rely on any of the representations, warranties and agreements of the Parties contained in this Agreement and (c) the Parties assume no liability to any Person because of any reliance on the representations, warranties and agreements of the Parties contained in this Agreement.

10.13 ***Severability.*** In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the

application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the Parties hereto. The Parties further agree to replace such voided or unenforceable provision of this Agreement

with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such voided or unenforceable provision.

10.14 ***Other Remedies.*** Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy.

10.15 ***Rules of Construction.*** The Parties agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

[remainder of page intentionally left blank;
signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement and Plan of Merger to be duly executed as of the day and year first written above.

ZEBRA TECHNOLOGIES CORPORATION

By: /s/ Edward Kaplan
Name: Edward Kaplan
Title: CEO

RUSHMORE ACQUISITION CORP.

By: /s/ John H. Kindsvater
Name: John H. Kindsvater
Title: President

FARGO ELECTRONICS, INC.

By: /s/ Gary Holland
Name: Gary Holland
Title: President and CEO

ANNEX I

CONDITIONS OF THE OFFER

Notwithstanding any other provisions of the Offer, Merger Sub shall not be required to accept for payment or pay for, or may delay the acceptance for payment of or payment for, tendered shares, or may terminate or amend the Offer, if (i) fewer than 6,478,129 shares are validly tendered and not withdrawn prior to the expiration of the Offer, (ii) any applicable waiting periods under the HSR Act shall not have expired or been terminated prior to the expiration of the Offer, or (iii) on or after the commencement date of the Offer, and at or before the time of payment for shares (whether or not any shares have theretofore been accepted for payment or paid for pursuant to the Offer), any of the following events shall occur:

(a) there shall have occurred any (1) general suspension of, or limitation on prices for, trading in securities on the New York Stock Exchange, Inc. in excess of one day; (2) declaration of a banking moratorium or suspension of payments in respect of banks in the United States or any general limitation by United States Federal or state authorities (whether or not mandatory) on the extension of credit by lending institutions, which limitation materially affects Merger Sub's ability to pay for the shares; or (3) commencement of a war, armed hostilities or other national calamity involving the United States;

(b) (i) any of the representations and warranties of the Company contained in the Agreement, without regard to any qualification or reference to materiality or Material Adverse Effect, set forth therein, shall not be true and correct, in each case as of the date referred to in any representation or warranty which addresses matters as of a particular date or, as to all other representations and warranties, as of the date of the Agreement and as of the expiration of the Offer, except where the failure of any such representations and warranties to be true and correct, individually or in the aggregate, has not had, and would not have, a Material Adverse Effect, or (ii) the Company shall have failed to perform or comply with, in all material respects, any of its obligations, covenants and agreements under the Agreement;

(c) any order shall have been entered in any action or proceeding before any Federal or state court or any Governmental Entity or a preliminary or permanent injunction by any Federal or state court of competent jurisdiction by any Federal or state court of competent jurisdiction in the United States shall have been issued and remain in effect, which would have the effect of (1) making the purchase of, or payment for, some or all of the shares pursuant to the Offer or the Merger illegal, (2) otherwise preventing consummation of the Offer or the Merger, or (3) imposing limitations on the ability of Merger Sub or Parent effectively (A) to acquire, hold or operate the business of the Company or (B) to exercise full rights of ownership of the shares acquired by it, including but not limited to, the right to vote the shares purchased by it on all matters properly presented to the Stockholders, which, in either case, would effect a material diminution in the value of the Company or the shares;

(d) there shall have been any Federal or state statute, rule or regulation enacted or promulgated on or after the date of the Offer that would result in any of the consequences referred to in clauses (1), (2) or (3) of paragraph (c);

(e) a tender or exchange offer for any capital stock of the Company shall have been made or publicly proposed to be made by another person, or it shall have been publicly disclosed or Merger Sub shall have learned that (1) any person, entity or "group" (as the term is used in Section 13(d)(3) of the Exchange Act) shall have acquired, or proposed to acquire, more than 20% of any class or series of capital stock of the Company, or shall have been granted any option or right, conditional or otherwise, to acquire more than 20% of any class or series of capital stock of the Company, (2) any new group shall have been formed which beneficially owns more than 20%

of any class or series of capital stock of the Company, (3) any person, entity or group shall have entered into a definitive agreement or an agreement in principle or made a proposal with respect to a tender offer or exchange offer for any stock of the Company or a merger, consolidation or other business combination with or involving the Company or (4) any person shall have filed a Notification and Report Form under the HSR Act reflecting an intent to acquire the Company or assets or securities of the Company;

(f) there shall have occurred any events or state of circumstances after the date of the Agreement which, either individually or in the aggregate, would have a Material Adverse Effect on the Company;

(g) the Acquisition Agreement shall have been terminated in accordance with its terms.

(h) Parent or Merger Sub shall have reached an agreement or understanding in writing with the Company providing for termination of the Offer.

The foregoing conditions are for the sole benefit of Parent and Merger Sub and may be waived by Merger Sub in whole or in part at any time and from time to time in its sole discretion.

QuickLinks

Exhibit 99.(d)(2)

[ZEBRA LOGO]

Zebra Technologies Corporation
333 Corporate Woods Parkway
Vernon Hills, Illinois 60061.3109 U.S.A.
Telephone +1.847.634.6890
Facsimile +1.847.634.2058
www.zebracorporation.com

July 10, 2001

Mr. Gary R. Holland
Fargo Electronics, Inc.
6533 Flying Cloud Drive
Eden Prairie, MN 55344

Dear Gary:

We have requested information from Fargo Electronics, Inc. (the "Company") in connection with the consideration of a possible transaction between the Company and Zebra Technologies Corporation (the "Transaction"). We agree to treat confidentially such information, whether written or oral, and any other information that is provided by the Company, its agents or its representatives (including attorneys and financial advisors) to us, or our directors, officers, employees, agents, advisors, prospective bank or institutional lenders, affiliates or representatives of such agents, advisors or prospective lenders (all of the foregoing collectively referred to as "Representatives"), whether furnished before or after the date of this letter, and all notes, analyses, compilations, studies or other documents, whether prepared by the Company or others, which contain, are derived from or otherwise reflect such information (collectively, the "Evaluation Material").

"Evaluation Material" does not include information which (i) becomes generally available to the public other than as a result of a disclosure by us or our Representatives, (ii) was available to us on a non-confidential basis prior to its disclosure to us, or (iii) becomes available to us on a non-confidential basis from a source other than the Company, provided that such source is not, to our knowledge, bound by a confidentiality agreement with the Company, or to our knowledge, prohibited from transmitting the information to us by a contractual, legal or fiduciary obligation.

We recognize and acknowledge the competitive value and confidential nature of the Evaluation Material and the damage that could result if information contained therein is disclosed to a third party or improperly used. It is understood that we may disclose the Evaluation Material only to those Representatives who require such material for the purpose of evaluating a possible Transaction (provided that such Representatives shall be informed of the confidential nature of the Evaluation Material and agree to treat such Evaluation Material in accordance with this Agreement). We agree that the Evaluation Material will be kept confidential and, except with the specific prior written consent of the Company or as expressly otherwise permitted by the terms hereof, we agree that we and our Representatives will not use any of the Evaluation Material (i) for any reason or purpose other than to evaluate a possible Transaction or (ii) in any way directly or indirectly detrimental to the Company.

We will not disclose to any person without the prior written consent of the Company (1) the fact that the Evaluation Material has been made available to us or that we have inspected any portion of the Evaluation Material, (2) the fact that any discussions or negotiations are taking place concerning a possible Transaction, or (3) any of the terms, conditions or other facts with respect to any possible Transaction, including the status thereof, unless and only to the extent that such disclosure (after making reasonable efforts to avoid such disclosure and after advising and consulting with the Company

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about the intention to make such disclosure and the proposed contents thereof) is, in the written opinion of counsel which is provided to the Company, required by applicable United States securities laws. The term "person" as used in this letter shall be broadly interpreted to include,

without limitation, any corporation, limited liability company, partnership and individual. Without limiting the generality of the foregoing, in the event that the Transaction is not consummated neither we nor our Representatives will use any of the Evaluation Materials for any purpose.

We will be responsible for any breach of this Agreement caused by our Representatives. We agree, at our sole expense, to take all reasonable measures, including but not limited to court proceedings, to restrain our Representatives (and former employees) from unauthorized disclosure or use of the Evaluation Materials.

In addition, we hereby acknowledge that we are aware (and that our Representatives who are apprised of this matter have been advised) that the United States securities laws restrict persons with material non-public information about a company, obtained directly or indirectly from that company, from purchasing or selling securities of such company, or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities, and that the Evaluation Material may contain material non-public information.

In the event that we or any of our Representatives receive a request or are required (by deposition interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose all or any part of the information contained in the Evaluation Materials we or our Representatives, as the case may be, agree to (i) immediately notify the Company of the existence, terms and circumstances surrounding such a request, (ii) consult with the Company on the advisability of taking legally available steps to resist or narrow such request, and (iii) assist the Company at the Company's expense in seeking a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained or that the Company waives compliance with the provisions hereof, (i) we or our Representatives, as the case may be, may disclose to any tribunal only that portion of the Evaluation Materials which we are advised by written opinion of counsel is legally required to be disclosed or else stand liable for contempt or suffer other censure or penalty, and shall exercise our best efforts to obtain assurance that confidential treatment will be accorded such and (ii) we shall not be liable for such disclosure unless disclosure to any such tribunal was caused by or resulted from a previous disclosure by us or our Representatives not permitted by this Agreement.

During the course of our evaluation, all inquiries and other communications will be made directly to Jeffrey Upin or Paul Stephenson or such other employees or representatives of the Company specified by Mr. Upin. Accordingly, we agree, and will direct our Representatives, not to directly or indirectly contact or communicate with any executive or other employee of the Company, concerning the Transaction or any Evaluation Materials, or to seek any information in connection therewith from such person, without the express consent of the Company.

If we determine not to proceed with the Transaction, we will promptly inform the Company of that decision and, in that case, and at any time upon the Company's request, we will (a) promptly destroy or cause the destruction of all electronic or machine readable copies of the Evaluation Material in our or our Representatives' possession and certify such destruction to the Company in writing, and (b) either (i) promptly deliver to the Company all originals and copies of the Evaluation Material in our or our Representatives' possession or (ii) promptly destroy all originals and copies of Evaluation material in our or our Representatives' possession and certify such destruction to the Company in writing. All Evaluation Material will continue to be subject to the terms of this letter agreement.

We agree that, for a period of two years after the date of this letter agreement, we will not, without the Company's prior written consent, directly or indirectly, solicit for employment any employee of the Company or any of its divisions or subsidiaries with whom we have had contact or who

became known to us in connection with our consideration of the Transaction. A solicitation will not be regarded as having been made in violation of this paragraph if: (a) the person who makes the solicitation on our behalf has no access to or knowledge of any Evaluation Material concerning personnel employed by the Company or its divisions or subsidiaries and none of our personnel or our Representatives who have access to or knowledge of Evaluation Material concerning personnel employed by the Company or its divisions or subsidiaries have actual advance knowledge of such solicitation; or (b) it involved only general solicitation of employment not specifically directed toward personnel employed by the Company or its divisions or subsidiaries.

We acknowledge and agree that neither the Company nor any of the Company's representatives or agents is making any representation or warranty, expressed or implied, as to the accuracy or completeness of the Evaluation Materials, and none of the Company nor any of the Company's representatives or agents, nor any of their respective officers, directors, employees, representatives, stockholders, owners, affiliates, advisors or agents, will have any liability to us or any other person resulting from use of the Evaluation Materials by us or any of our Representatives. Only those representations or warranties that are included in an agreement between the parties for the Transaction (the "Transaction Agreement") when, as, and if it is executed, and subject to such limitations and restrictions as may be specified in the Transaction Agreement, will have any legal effect.

We also acknowledge and agree that no contract or agreement providing for the Transaction shall be deemed to exist between the Company and us unless and until the Transaction Agreement has been executed and delivered by the Company and each of the other parties thereto. We also agree that unless and until the Transaction Agreement between the Company and us with respect to the Transaction has been executed and delivered, neither we, the Company nor any of our or their respective officers, directors, employees, representatives, advisors, agents, stockholders or owners has any legal obligation of any kind whatsoever with respect to any such transaction by virtue of this Agreement or any other written or oral expression with respect to such transaction except, in the case of this Agreement, for the matters specifically agreed to herein, and except for the exclusivity letter, dated the date hereof, between the Company and us.

For purposes of this Agreement, the term "Transaction Agreement" does not include an executed letter of intent or any other preliminary written agreement, nor does it include any written or oral acceptance of any offer or bid by us, unless such written acceptance specifically states that it is a binding agreement. We further understand and agree that nothing in this Agreement shall be deemed to give us any claim or rights with respect to any business, assets or rights of the Company.

We acknowledge that money damages would be both incalculable and an insufficient remedy for any breach of this agreement and that any such breach would cause the Company immediate and irreparable harm. Accordingly, we agree that in the event of any breach or threatened breach of this Agreement by us, the Company, in addition to any other remedies at law or in equity it may have, shall be entitled, without the requirement of posting a bond or other security, to equitable relief, including injunctive relief and specific performance.

The agreements set forth in the Agreement may be modified or waived only by a separate writing signed by the parties expressly so modifying or waiving such agreements. It is understood and agreed that no failure or delay by either 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 right, power or privilege hereunder. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect. The term of this Agreement shall be two (2) years from the date hereof. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and the parties consent to jurisdiction

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in the U.S. District Court for the District of Delaware. This Agreement shall not be assignable by either party without the prior written consent of the other.

If you are in agreement with the foregoing, please sign and return one copy of this letter, which thereupon will constitute our Agreement with respect to the subject matter hereof.

Very truly yours,

ZEBRA TECHNOLOGIES CORPORATION

By: /s/ EDWARD KAPLAN

CONFIRMED AND AGREED TO:

FARGO ELECTRONICS, INC.

By: /s/ GARY HOLLAND

Agreed to: July 10, 2001

Exhibit 99.(d)(3)

[ZEBRA LOGO]

Zebra Technologies Corporation
333 Corporate Woods Parkway
Vernon Hills, Illinois 60061.3109 U.S.A.
Telephone +1.847.634.6890
Facsimile +1.847.634.2058
www.zebracorporation.com

July 10, 2001

Fargo Electronics, Inc.
6533 Flying Cloud Drive
Eden Prairie, MN 55344

Gentlemen:

We appreciate the opportunity we have had to discuss with you our offer with respect to a business combination (the "Transaction") of Fargo Electronics, Inc. (the "Company") with Zebra Technologies Corporation ("Zebra"). We are contemplating the acquisition of 100% of the Company's shares for cash of $7.25 per share. We are eager to commence with the next step in completing a transaction with the Company.

As you know, the next phase of this process will involve intensive effort as well as substantial expense on the part of Zebra. Accordingly, in order to induce Zebra to continue with our discussions and the completion of our diligence and negotiations (including the negotiation of a definitive agreement), we are writing to confirm our understanding that, from the date hereof and until the earlier of (i) the execution of a definitive agreement or (ii) three (3) weeks following your execution of this letter (the "Exclusivity Period"): (A) none of the Company or any of its subsidiaries, officers or directors, or the officers or directors of its subsidiaries, nor any of its other affiliates, including TA Associates, Inc., St. Paul Venture Capital, Inc. and Fargo Electronics Holdings, LLC, shall, and each of them shall cause its and its subsidiaries' employees, agents and representatives (including, without limitation, any investment banking, legal or accounting firm retained by the Company or any of its subsidiaries and any individual member or employee of the foregoing) (all of the foregoing, the "Company's Agents") not to, directly or indirectly (1) initiate, solicit or seek any inquiries or the making or implementation of any proposal or offer (including without limitation, any proposal or offer to its stockholders) with respect to a merger, acquisition, consolidation, recapitalization, liquidation, dissolution or similar transaction involving, or any purchase of all or a substantial portion of the assets or any equity securities (other than sales of equity securities pursuant to stock options outstanding on the date hereof or under the Company's employee stock purchase plan, investor relation activities conducted by the Company in the ordinary course of business and market making activities conducted by Raymond James & Associates, Inc. in its capacity as a market maker for the Company's common stock) of, the Company or any of its subsidiaries or affiliates (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal"), or (2) engage in any negotiations concerning an Acquisition Proposal, have any bilateral discussions concerning an Acquisition Proposal, or provide any Company information to any person relating to an Acquisition Proposal, and (B) the Company will cease, and cause the Company's Agents to cease, any current discussions with any person other than Zebra regarding any Acquisition Proposal or similar transaction. The Company, on behalf of itself and the Company's Agents, agrees to keep strictly confidential all terms of our proposed transaction, unless and only to the extent that disclosure (after making reasonable efforts to avoid such disclosure and after advising and consulting with Zebra about the intention to make such disclosure and the proposed contents thereof) is in the reasonable view of the Company, upon advice of counsel, required by

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applicable United States securities laws. In addition, during the Exclusivity Period the Company agrees to notify Zebra immediately upon the Company or any of the Company's Agents becoming aware of any inquiry regarding or the making of any Acquisition Proposal.

We acknowledge and agree that no contract or agreement providing for the Transaction shall be deemed to exist between the Company and Zebra unless and until a definitive transaction agreement has been executed and delivered by the Company and each of the other parties

thereto. We also agree that unless and until a definitive transaction agreement between the Company and Zebra with respect to the Transaction has been executed and delivered, neither the Company, Zebra nor any of their respective officers, directors, employees, representatives, advisors, agents, stockholders or owners has any legal obligation of any kind whatsoever with respect to any such transaction by virtue of this letter or any other written or oral expression with respect to such transaction except, in the case of this letter, for the matters specifically agreed to herein, and except for the confidentiality letter, dated the date hereof, between the Company and us.

This letter shall be governed by and construed in accordance with the laws of the State of Delaware and may be signed in any number of counterparts.

If you are in agreement with the foregoing, please indicate your acceptance by signing below and returning an executed copy of this letter to us.

Very truly yours,

ZEBRA TECHNOLOGIES CORPORATION

/s/ EDWARD KAPLAN

By: Edward Kaplan
Title: Chairman and Chief Executive Officer

Acknowledged and agreed to this 10th day of July 2001

FARGO ELECTRONICS, INC.

By: /s/ GARY HOLLAND

Name: Gary Holland

Title: President and CEO

STOCKHOLDER AGREEMENT
(For Private Equity Firm)

AGREEMENT, dated as of July 31, 2001 (the "**Commencement Date**"), by and among Zebra Technologies Corporation, a Delaware corporation ("**Parent**"), and (the "**Stockholder**"), a holder of shares of common stock, par value $.01 per share ("**Company Common Stock**"), of Fargo Electronics, Inc., a Delaware corporation ("**Company**").

WHEREAS, Parent, the Company and Rushmore Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Parent ("**Merger Sub**"), have entered into an Acquisition Agreement dated as of the Commencement Date (the "**Acquisition Agreement**"), pursuant to which Merger Sub has agreed, subject to the terms and conditions contained therein, to (i) make a cash tender offer (the "**Offer**") for any and all of the outstanding shares of the Company Common Stock and (ii) merge with and into the Company, with the Company to be the surviving corporation;

WHEREAS, the Stockholder beneficially owns that number of shares of the Company Common Stock specified on the signature page hereof;

WHEREAS, in order to induce Parent and Merger Sub to enter into the Acquisition Agreement, Parent has requested that the Stockholder, and the Stockholder has agreed, to enter into this Agreement with respect to all shares of Company Common Stock now or hereafter held of record or Beneficially Owned (as defined below) by the Stockholder (the "**Shares**"); and

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Acquisition Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1
GRANT OF PROXY; VOTING AGREEMENT; AGREEMENT TO TENDER

Section 1.01 *Voting Agreement.* The Stockholder hereby agrees that, during the period commencing on the Commencement Date hereof and continuing until the first to occur of (a) the Effective Time or (b) termination of the Acquisition Agreement in accordance with its terms, at any meeting of the holders of Company Common Stock, however called, or in connection with any written consent of the holders of Company Common Stock, the Stockholder shall vote (or cause to be voted) all of the Shares, whether heretofore owned or hereafter acquired and to the extent such Shares may be voted: (i) in favor of approval of the Acquisition Agreement, the Offer, the Merger and other related agreements (or any amended versions thereof) and any actions required in furtherance thereof and hereof; (ii) against any action or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of the Company under the Acquisition Agreement (after giving effect to any materiality or similar qualifications contained therein); and (iii) except as otherwise agreed to in writing in advance by Parent, against the following actions (other than the Offer, the Merger and the transactions contemplated by the Acquisition Agreement): (A) any Acquisition Proposal or any extraordinary corporate transaction, such as a merger, consolidation or other business combination involving the Company, a sale, lease or transfer of a material amount of assets of the Company, or a reorganization, recapitalization, dissolution or liquidation of the Company; or (B) (1) any change in a majority of the persons who constitute the board of directors of the Company; (2) any change in the present capitalization of the Company or any amendment of the Company's Certificate of Incorporation or By-Laws; (3) any other material change in the Company's corporate structure or business; or (4) any other action which is intended, or could reasonably be expected, to impede, interfere with, delay, postpone, or materially and adversely affect the Offer, the Merger or any of the transactions contemplated by this Agreement or the Acquisition Agreement. The Stockholder shall not enter into any agreement or understanding with any Person (as defined below) the effect of which would be inconsistent or violative of the provisions, and agreements contained in ARTICLE 1, 2 or 3 hereof. For purposes of this Agreement, "**Beneficially Own**," "**Beneficially Owned**" or "**Beneficial Ownership**" (or any other derivative of such terms) with respect to

any securities shall mean having "beneficial ownership" of such securities (as determined pursuant to Rule 13d-3 under the Exchange Act), including pursuant to any agreement, arrangement or understanding, whether or not in writing. Without duplicative counting of the same securities by the same holder, securities Beneficially Owned by a Person shall include securities Beneficially Owned by all other Persons with whom such Person would constitute a "group" within the meaning of Section 13(d)(3) of the Exchange Act. The "Shares" shall include all shares of Company Common Stock held of record or Beneficially Owned by the Stockholder on the Commencement Date or at any other time prior to the termination of this Agreement.

Section 1.02 *Irrevocable Proxy.* The Stockholder hereby revokes any and all previous proxies granted with respect to the Shares. By entering into this Agreement, the Stockholder hereby grants a proxy appointing Parent as the Stockholder's attorney-in-fact and proxy, with full power of substitution, for and in the Stockholder's name, to vote, express, consent or dissent, or otherwise to utilize such voting power as Parent or its proxy or substitute shall, in Parent's sole discretion, deem proper with respect to the Shares to effect any action contemplated by Section 1.01 above (including the right to sign its name (as stockholder) to any consent, certificate or other document relating to Company that the law of the State of Delaware may permit or require), to the extent, but only to the extent, not voted by the Stockholder in accordance with Section 1.01. The proxy granted by the Stockholder pursuant to this ARTICLE 1 is irrevocable and is granted in consideration of Parent entering into this Agreement and the Acquisition Agreement and incurring certain related fees and expenses, provided, however, that the proxy granted by the Stockholder shall be revoked upon termination of this Agreement in accordance with its terms.

Section 1.03 *Agreement to Tender.* The Stockholder hereby agrees to tender all of the outstanding Shares within five business days after the commencement of the Offer, pursuant to and in accordance with the terms of the Offer, and agrees that, prior to the termination of the Acquisition Agreement in accordance with its terms, the Stockholder will not withdraw its tender of the Shares. To effect such tender, the Stockholder shall, within such five business day period, (a) deliver to the depositary designated in the Offer: (i) a letter of transmittal with respect to such Shares complying with the terms of the Offer, (ii) certificates representing such Shares and (iii) all other documents or instruments required to be delivered pursuant to the terms of the Offer, and/or (b) instruct its broker or such other person who is the holder of record of any Shares beneficially owned by the Stockholder to tender such shares for exchange in the Offer pursuant to the terms and conditions of the Offer.

Section 1.04 *Termination of Acquisition Agreement.* If a termination fee becomes payable by the Company pursuant to Section 9.3 of the Acquisition Agreement and, in any such case, a transaction contemplated by a Superior Proposal (the "Alternative Transaction") is consummated within twelve (12) months after such termination, the Stockholder shall, within three (3) business days of the Stockholder's receipt of the consideration paid for the Shares in the Alternative Transaction, pay Parent an amount in cash equal to fifty percent (50%) of the excess of (A) the product of (x)(i) the gross amount of any cash, plus the fair market value of any other consideration, actually received by the Stockholder for each such Share in the Alternative Transaction, minus (ii) $7.25 and (y) the number of Shares held of record or Beneficially Owned by the Stockholder at the time the consideration is paid, over (B) the amount of any expenses (which shall not include any Taxes) incurred by the Stockholder directly in connection with the Alternative Transaction.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES OF STOCKHOLDER

The Stockholder represents and warrants to Parent that:

Section 2.01 *Power; Binding Agreement.* The Stockholder has the full power and authority to enter into and perform all of the Stockholder's obligations under this Agreement, and the person

signing this Agreement on behalf of the Stockholder has the legal capacity, power and authority to execute and deliver this Agreement on behalf of the Stockholder. This Agreement has been duly and validly authorized, executed and delivered by the Stockholder and, assuming that this Agreement has been duly executed and delivered by Parent, constitutes a valid and binding agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws of applicability relating to or affecting creditors' rights and general principles of equity. There is no beneficiary or holder of a voting trust

certificate or other interest of any trust of which the Stockholder is trustee whose consent is required for the authorized, execution and delivery of this Agreement or the consummation by the Stockholder of the transactions contemplated hereby. If the Stockholder is married and the Shares constitute community property, this Agreement has been duly authorized, executed and delivered by, and assuming that this Agreement has been duly executed and delivered by Parent, constitutes a valid and binding agreement of, the Stockholder's spouse, enforceable against such person in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws of applicability relating to or affecting creditors' rights and general principles of equity.

Section 2.02 *Non-Contravention.* The execution, delivery and, subject to compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and securities laws, as applicable, performance by the Stockholder of this Agreement, do not and will not (i) conflict with or violate, or require any consent or other action by any Person under, any applicable law, statute, rule, regulation, judgment, injunction, order or decree, (ii) conflict with, require any consent or other action by any Person under, or constitute a default under, or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, contract, commitment, arrangement, understanding, agreement or other instrument or obligation of any kind to which the Stockholder is a party or by which any of the Stockholder's properties or assets may be bound, including, without limitation, any voting agreement, stockholders agreement, voting trust, trust or similar agreement, (iii) result in the imposition of any encumbrance on the Shares or (iv) require any consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign.

Section 2.03 *Ownership of Shares.* Except as otherwise set forth on the signature page hereto, the Stockholder is the sole record and Beneficial Owner of the Shares. The outstanding Shares are, and shall be delivered to Parent pursuant to this Agreement, free and clear of any encumbrance and any other limitation or restriction (including any restriction on the right to vote or otherwise dispose of the Shares), other than restrictions under the Securities Act of 1933, as amended. The Stockholder has sole voting power and sole power to issue instructions with respect to the matters set forth in ARTICLE 1 hereof, sole power of disposition, sole power of conversion, sole power to demand appraisal rights and sole power to agree to all of the matters set forth in this Agreement, in each case with respect to all of the Shares with no limitations, qualifications or restrictions on such rights.

Section 2.04 *Total Shares.* Except for the Shares set forth on the signature page hereto next to the Stockholder's name, the Stockholder does not Beneficially Own any shares of capital stock or voting securities of Company. Except as set forth on the signature page hereto, the Stockholder does not Beneficially Own any (i) securities of Company convertible into or exchangeable for shares of capital stock or voting securities of the Company or (ii) options or other rights to acquire from Company any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of Company.

Section 2.05 *No Finder's Fees.* Other than existing financial advisory and investment banking arrangements and agreements set forth in the Acquisition Agreement, no broker, investment banker, financial adviser or other person is entitled to any broker's, finder's, financial adviser's or other similar

fee or commission in connection with the transactions contemplated by the Acquisition Agreement based upon arrangements made by or on behalf of the Stockholder.

Section 2.06 *Reliance by Parent.* The Stockholder understands and acknowledges that Parent is entering into the Acquisition Agreement in reliance upon the Stockholder's execution, delivery and performance of this Agreement.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF PARENT

Parent represents and warrants to the Stockholder:

Section 3.01 *Corporate Authorization.* The execution, delivery and performance by Parent of this Agreement and the consummation by Parent of the transactions contemplated hereby are within the corporate powers of Parent and have been duly authorized by all necessary

corporate action. This Agreement constitutes a legal valid and binding agreement of Parent, enforceable against Parent in accordance with its terms.

ARTICLE 4
COVENANTS OF STOCKHOLDER

The Stockholder hereby covenants and agrees that:

Section 4.01 *No Proxies for or Encumbrances on Shares.* Except pursuant to the terms of this Agreement, the Stockholder shall not, without the prior written consent of Parent, directly or indirectly, (i) grant any proxy or power of attorney, deposit any Shares into any voting trust or enter into any other agreement or arrangement with respect to the voting of any Shares or (ii) acquire, sell, assign, transfer, distribute, encumber or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the direct or indirect acquisition or sale, assignment, transfer, tender, pledge, distribution, encumbrance or other disposition of, any Shares. The Stockholder shall not, in the Stockholder's capacity as a stockholder, directly or indirectly, seek, solicit, initiate, solicit or knowingly encourage (including by way of furnishing non-public information or assistance) or take any other action to facilitate knowingly any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, or enter into or maintain or continue discussions or negotiate with any Person with respect to, or endorse, any such acquisition or sale, assignment, transfer, tender, pledge, distribution, encumbrance or other disposition or any such contract, option or other arrangement or understanding or any Acquisition Proposal, or authorize or permit any of the Stockholder's agents to do any of the foregoing, and the Stockholder agrees promptly to notify Parent orally (in all events within one (1) business day) and in writing (as soon thereafter as practicable) of the material terms and status of any inquiry or proposal which the Stockholder or any of its agents may receive from any Person after the Commencement Date relating to any of such matters and, if such inquiry or proposal is in writing, the Stockholder shall deliver to Parent a copy of such inquiry or proposal promptly. The Stockholder will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to the foregoing. The Stockholder shall not take any action that would make any representation or warranty of the Stockholder contained herein untrue or incorrect or have the effect of preventing or disabling the Stockholder from performing the Stockholder's obligations under this Agreement.

Section 4.02 *Appraisal Rights.* The Stockholder agrees not to exercise any rights (including, without limitation, under Section 262 of the General Corporation Law of the State of Delaware) to demand appraisal of any Shares which may arise with respect to the Merger.

Section 4.03 *Stop Transfer.* The Stockholder agrees with, and covenants to, Parent that the Stockholder shall not request that the Company register the transfer (book-entry or otherwise) of any

certificate or uncertificated interest representing any of the Shares, unless such transfer is made in compliance with this Agreement.

ARTICLE 5
MISCELLANEOUS

Section 5.01 *Further Assurances.* Parent and the Stockholder will each execute and deliver, or cause to be executed and delivered, all further documents and instruments and use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations, to consummate and make effective the transactions contemplated by this Agreement.

Section 5.02 *Amendments; Termination.* Any provision of this Agreement may be amended or waived if, but only if, such amendment or, waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement or, in the case of a waiver, by the party against whom the waiver is to be effective. This Agreement shall terminate upon the earlier of (a) the termination of the Acquisition Agreement in accordance with its terms; provided, however, that in such case Section 1.04 and ARTICLE 5 hereof shall survive the termination of this Agreement in their entirety or (b) the Effective Time, in which case this Agreement shall terminate in its entirety.

Section 5.03 *Remedies Cumulative.* All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any of such rights, powers or remedies by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

Section 5.04 *Recovery of Attorney's Fees.* In the event of any litigation between the parties relating to this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs (including court costs) from the non-prevailing party, provided that if both parties prevail in part, the reasonable attorneys' fees and costs shall be awarded by the court in such manner as it deems equitable to reflect the relative amounts and merits of the parties' claims.

Section 5.05 *Certain Events.* Subject to Section 4.01 hereof, the Stockholder agrees that this Agreement and the obligations hereunder shall attach to the Shares and shall be binding upon any person or entity to which legal ownership or Beneficial Ownership of the Shares shall pass, whether by operation of law or otherwise, including, without limitation, the Stockholder's heirs, guardians, administrators or successors. Notwithstanding any such transfer of Shares, the transferor shall remain liable for the performance of all obligations under this Agreement of the transferor.

Section 5.06 *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the written consent of the other parties hereto, except that Parent may transfer or assign its rights and obligations to any affiliate of Parent.

Section 5.07 *Severability.* Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision of this Agreement in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 5.08 *No Waiver.* The failure of any party hereto to exercise any right, power or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist

upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

Section 5.09 *WAIVER OF JURY TRIAL.* **EACH PARTY HERETO HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN CONNECTION WITH ANY ACTION, SUIT OR PROCEEDING IN CONNECTION WITH THIS AGREEMENT.**

Section 5.10 *Specific Performance.* Each of the parties hereto recognizes and acknowledges that a breach by it of any covenants or agreements contained in this Agreement will cause the other party to sustain damages for which it would not have an adequate remedy at law for money damages, and therefore each of the parties hereto agrees that in the event of any such breach the aggrieved party shall be entitled to the remedy of specific performance of such covenants and agreements and injunctive and other equitable relief, without the necessity of posting bond, in addition to any other remedy to which it may be entitled at law or in equity.

Section 5.11 *Antidilution.* In the event that the Company institutes any change in the Company Common Stock by reason of stock dividends, split-ups, mergers, recapitalizations, combinations, conversions, exchanges of shares or the like, all Shares resulting from such change shall be subject to this Agreement and the prices referred to herein shall be proportionately adjusted to reflect such change.

Section 5.12 *Stockholder Capacity.* If the Stockholder is or becomes during the term hereof, or has designated or designates during the term hereof, a director of the Company, the Stockholder does not make any agreement or understanding herein in the Stockholder's capacity as

a director or on behalf of any director designated by the Stockholder, as the case may be. The Stockholder signs solely in the Stockholder's capacity as the record and Beneficial Owner of the Shares. Nothing in this Agreement will be deemed to restrict or limit the right of any affiliate of the Stockholder to act in his or her capacity as an officer or director of the Company consistent with his, her or its fiduciary obligations in such capacity as permitted under the Acquisition Agreement.

Section 5.13 *Release.* The Stockholder, solely in such capacity as a stockholder of the Company, hereby releases and discharges Parent, the Company, the Surviving Corporation and their respective officers, directors, stockholders, employees, agents, attorneys, representatives, successors and assigns (and the respective heirs, executors, administrators, representatives, successors and assigns of such officers, directors, stockholders, employees, agents, attorneys and representatives) from any and all claims, actions, causes of action, suits, debts, sums of money, controversies, agreements, promises, damages, judgments, claims and demands whatsoever, at law or in equity, which the Stockholder, solely as a result of the Stockholder's status as a stockholder of the Company, had or now has for, upon or by reason of any matter, cause or thing whatsoever relating, directly or indirectly, to Parent, the Company or the Surviving Corporation; *provided, however*, that this release shall not cover any claims the Stockholder may have against the Parent for failure to pay the purchase price for the Shares tendered pursuant to Section 1.03.

Section 5.14 *Governing Law.* This Agreement shall be construed in accordance with, and governed by, the laws of the State of Delaware (without giving effect to its principles of conflicts of laws).

Section 5.15 *Entire Agreement.* This Agreement and the Acquisition Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

Section 5.16 *Notices.* All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been given at the earlier of the date

personally delivered or sent by telephonic facsimile transmission (with a copy via other means specified herein) or one day after sending via nationally recognized overnight courier or five days after deposit in the United States mail, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

If to the Stockholder: At the address set forth on the signature pages hereof

with a copy to: _____

_____

_____

_____

_____

If to Parent:

Zebra Technologies Corporation
333 Corporate Woods Parkway
Vernon Hills, Illinois 60061
Attention: Chief Executive Officer
Telephone: (847) 634-6700
Facsimile: (847) 913-8766

Katten Muchin Zavis
525 West Monroe Street
Suite 1600
with a copy to: Chicago, Illinois 60661
Attention: Herbert S. Wander, Esq.
Telephone: (312) 902-5267
Facsimile: (312) 577-8885

or to such other address as the Person to whom notice is given may have previously furnished to the others in writing in the manner set forth in this Section 5.16.

Section 5.17 *Expenses.* All costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

Section 5.18 *No Third Party Beneficiaries.* Except as provided in Section 5.13, this Agreement is not intended to be for the benefit of, and shall not be enforceable by, any Person other than the parties hereto and Merger Sub.

Section 5.19 *Descriptive Headings.* The descriptive headings used herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 5.20 *Counterparts.* This Agreement may be signed in two counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

ZEBRA TECHNOLOGIES CORPORATION

By: _____

Name _____

Title: _____

STOCKHOLDER

Class of Stock	**Shares Owned**
Common Stock	

_____

Address: _____

Telephone: _____

Telecopy: _____

STOCKHOLDER AGREEMENT
(For Officer/Director)

AGREEMENT, dated as of July 31, 2001 (the "**Commencement Date**"), by and among Zebra Technologies Corporation, a Delaware corporation ("**Parent**"), and (the "**Stockholder**"), an officer and/or director, and a holder of shares of common stock, par value $.01 per share ("**Company Common Stock**"), of Fargo Electronics, Inc., a Delaware corporation ("**Company**").

WHEREAS, Parent, the Company and Rushmore Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Parent ("**Merger Sub**"), have entered into an Acquisition Agreement dated as of the Commencement Date (the "**Acquisition Agreement**"), pursuant to which Merger Sub has agreed, subject to the terms and conditions contained therein, to (i) make a cash tender offer (the "**Offer**") for any and all of the outstanding shares of the Company Common Stock and (ii) merge with and into the Company, with the Company to be the surviving corporation;

WHEREAS, the Stockholder beneficially owns that number of shares of the Company Common Stock specified on the signature page hereof;

WHEREAS, in order to induce Parent and Merger Sub to enter into the Acquisition Agreement, Parent has requested that the Stockholder, and the Stockholder has agreed, to enter into this Agreement with respect to all shares of Company Common Stock now or hereafter held of record or Beneficially Owned (as defined below) by the Stockholder (the "**Shares**"); and

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Acquisition Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1
GRANT OF PROXY; VOTING AGREEMENT; AGREEMENT TO TENDER

Section 1.01 *Voting Agreement.* The Stockholder hereby agrees that, during the period commencing on the Commencement Date hereof and continuing until the first to occur of (a) the Effective Time or (b) termination of the Acquisition Agreement in accordance with its terms, at any meeting of the holders of Company Common Stock, however called, or in connection with any written consent of the holders of Company Common Stock, the Stockholder shall vote (or cause to be voted) all of the Shares, whether heretofore owned or hereafter acquired and to the extent such Shares may be voted: (i) in favor of approval of the Acquisition Agreement, the Offer, the Merger and other related agreements (or any amended versions thereof) and any actions required in furtherance thereof and hereof; (ii) against any action or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of the Company under the Acquisition Agreement (after giving effect to any materiality or similar qualifications contained therein); and (iii) except as otherwise agreed to in writing in advance by Parent, against the following actions (other than the Offer, the Merger and the transactions contemplated by the Acquisition Agreement): (A) any Acquisition Proposal or any extraordinary corporate transaction, such as a merger, consolidation or other business combination involving the Company, a sale, lease or transfer of a material amount of assets of the Company, or a reorganization, recapitalization, dissolution or liquidation of the Company; or (B) (1) any change in a majority of the persons who constitute the board of directors of the Company; (2) any change in the present capitalization of the Company or any amendment of the Company's Certificate of Incorporation or By-Laws; (3) any other material change in the Company's corporate structure or business; or (4) any other action which is intended, or could reasonably be expected, to impede, interfere with, delay, postpone, or materially and adversely affect the Offer, the Merger or any of the transactions contemplated by this Agreement or the Acquisition Agreement. The Stockholder shall not enter into any agreement or understanding with any Person (as defined below) the effect of which would be inconsistent or violative of the provisions, and agreements contained in ARTICLE 1, 2 or 3 hereof. For purposes of this Agreement, "**Beneficially Own**," "**Beneficially Owned**" or "**Beneficial Ownership**" (or any other derivative of such terms) with respect to

any securities shall mean having "beneficial ownership" of such securities (as determined pursuant to Rule 13d-3 under the Exchange Act), including pursuant to any agreement, arrangement or understanding, whether or not in writing. Without duplicative counting of the same securities by the same holder, securities Beneficially Owned by a Person shall include securities Beneficially Owned by all other Persons with whom such Person would constitute a "group" within the meaning of Section 13(d)(3) of the Exchange Act. The "Shares" shall include all shares of Company Common Stock held of record or Beneficially Owned by the Stockholder on the Commencement Date or at any other time prior to the termination of this Agreement.

Section 1.02 *Irrevocable Proxy.* The Stockholder hereby revokes any and all previous proxies granted with respect to the Shares. By entering into this Agreement, the Stockholder hereby grants a proxy appointing Parent as the Stockholder's attorney-in-fact and proxy, with full power of substitution, for and in the Stockholder's name, to vote, express, consent or dissent, or otherwise to utilize such voting power as Parent or its proxy or substitute shall, in Parent's sole discretion, deem proper with respect to the Shares to effect any action contemplated by Section 1.01 above (including the right to sign its name (as stockholder) to any consent, certificate or other document relating to Company that the law of the State of Delaware may permit or require), to the extent, but only to the extent, not voted by the Stockholder in accordance with Section 1.01. The proxy granted by the Stockholder pursuant to this ARTICLE 1 is irrevocable and is granted in consideration of Parent entering into this Agreement and the Acquisition Agreement and incurring certain related fees and expenses, provided, however, that the proxy granted by the Stockholder shall be revoked upon termination of this Agreement in accordance with its terms.

Section 1.03 *Agreement to Tender.* The Stockholder hereby agrees to tender all of the outstanding Shares within five business days after the commencement of the Offer, pursuant to and in accordance with the terms of the Offer, and agrees that, prior to the termination of the Acquisition Agreement in accordance with its terms, the Stockholder will not withdraw its tender of the Shares. To effect such tender, the Stockholder shall, within such five business day period, (a) deliver to the depositary designated in the Offer: (i) a letter of transmittal with respect to such Shares complying with the terms of the Offer, (ii) certificates representing such Shares and (iii) all other documents or instruments required to be delivered pursuant to the terms of the Offer, and/or (b) instruct its broker or such other person who is the holder of record of any Shares beneficially owned by the Stockholder to tender such shares for exchange in the Offer pursuant to the terms and conditions of the Offer.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES OF STOCKHOLDER

The Stockholder represents and warrants to Parent that:

Section 2.01 *Power; Binding Agreement.* The Stockholder has the full power and authority to enter into and perform all of the Stockholder's obligations under this Agreement, and the person signing this Agreement on behalf of the Stockholder has the legal capacity, power and authority to execute and deliver this Agreement on behalf of the Stockholder. This Agreement has been duly and validly authorized, executed and delivered by the Stockholder and, assuming that this Agreement has been duly executed and delivered by Parent, constitutes a valid and binding agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws of applicability relating to or affecting creditors' rights and general principles of equity. There is no beneficiary or holder of a voting trust certificate or other interest of any trust of which the Stockholder is trustee whose consent is required for the authorized, execution and delivery of this Agreement or the consummation by the Stockholder of the transactions contemplated hereby. If the Stockholder is married and the Shares constitute community property, this Agreement has been duly authorized, executed and delivered by, and assuming that this Agreement has been duly executed and delivered by Parent, constitutes a valid and

binding agreement of, the Stockholder's spouse, enforceable against such person in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws of applicability relating to or affecting creditors' rights and general principles of equity.

Section 2.02 *Non-Contravention.* The execution, delivery and, subject to compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and securities laws, as applicable, performance by the Stockholder of this Agreement, do not and will not (i) conflict with or violate, or require any consent or other action by any Person under, any applicable law, statute, rule, regulation, judgment, injunction, order or decree, (ii) conflict with, require any consent or other action by any Person under, or constitute a default under, or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, contract, commitment, arrangement, understanding, agreement or other instrument or obligation of any kind to which the Stockholder is a party or by which any of the Stockholder's properties or assets may be bound, including, without limitation, any voting agreement, stockholders agreement, voting trust, trust or similar agreement, (iii) result in the imposition of any encumbrance on the Shares or (iv) require any consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign.

Section 2.03 *Ownership of Shares.* Except as otherwise set forth on the signature page hereto, the Stockholder is the sole record and Beneficial Owner of the Shares. The outstanding Shares are, and shall be delivered to Parent pursuant to this Agreement, free and clear of any encumbrance and any other limitation or restriction (including any restriction on the right to vote or otherwise dispose of the Shares), other than restrictions under the Securities Act of 1933, as amended. The Stockholder has sole voting power and sole power to issue instructions with respect to the matters set forth in ARTICLE 1 hereof, sole power of disposition, sole power of conversion, sole power to demand appraisal rights and sole power to agree to all of the matters set forth in this Agreement, in each case with respect to all of the Shares with no limitations, qualifications or restrictions on such rights.

Section 2.04 *Total Shares.* Except for the Shares set forth on the signature page hereto next to the Stockholder's name, the Stockholder does not Beneficially Own any shares of capital stock or voting securities of Company. Except as set forth on the signature page hereto, the Stockholder does not Beneficially Own any (i) securities of Company convertible into or exchangeable for shares of capital stock or voting securities of the Company or (ii) options or other rights to acquire from Company any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of Company.

Section 2.05 *No Finder's Fees.* Other than existing financial advisory and investment banking arrangements and agreements set forth in the Acquisition Agreement, no broker, investment banker, financial adviser or other person is entitled to any broker's, finder's, financial adviser's or other similar fee or commission in connection with the transactions contemplated by the Acquisition Agreement based upon arrangements made by or on behalf of the Stockholder.

Section 2.06 *Reliance by Parent.* The Stockholder understands and acknowledges that Parent is entering into the Acquisition Agreement in reliance upon the Stockholder's execution, delivery and performance of this Agreement.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF PARENT

Parent represents and warrants to the Stockholder:

Section 3.01 *Corporate Authorization.* The execution, delivery and performance by Parent of this Agreement and the consummation by Parent of the transactions contemplated hereby are within the

corporate powers of Parent and have been duly authorized by all necessary corporate action. This Agreement constitutes a legal valid and binding agreement of Parent, enforceable against Parent in accordance with its terms.

ARTICLE 4
COVENANTS OF STOCKHOLDER

The Stockholder hereby covenants and agrees that:

Section 4.01 *No Proxies for or Encumbrances on Shares.* Except pursuant to the terms of this Agreement, the Stockholder shall not, without the prior written consent of Parent, directly or indirectly, (i) grant any proxy or power of attorney, deposit any Shares into any voting trust or enter into any other agreement or arrangement with respect to the voting of any Shares or (ii) acquire, sell, assign, transfer, distribute, encumber or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the direct or indirect acquisition or sale, assignment, transfer, tender, pledge, distribution, encumbrance or other disposition of, any Shares. The Stockholder shall not, in the Stockholder's capacity as a stockholder, directly or indirectly, seek, solicit, initiate, solicit or knowingly encourage (including by way of furnishing non-public information or assistance) or take any other action to facilitate knowingly any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, or enter into or maintain or continue discussions or negotiate with any Person with respect to, or endorse, any such acquisition or sale, assignment, transfer, tender, pledge, distribution, encumbrance or other disposition or any such contract, option or other arrangement or understanding or any Acquisition Proposal, or authorize or permit any of the Stockholder's agents to do any of the foregoing, and the Stockholder agrees promptly to notify Parent orally (in all events within one (1) business day) and in writing (as soon thereafter as practicable) of the material terms and status of any inquiry or proposal which the Stockholder or any of its agents may receive from any Person after the Commencement Date relating to any of such matters and, if such inquiry or proposal is in writing, the Stockholder shall deliver to Parent a copy of such inquiry or proposal promptly. The Stockholder will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to the foregoing. The Stockholder shall not take any action that would make any representation or warranty of the Stockholder contained herein untrue or incorrect or have the effect of preventing or disabling the Stockholder from performing the Stockholder's obligations under this Agreement.

Section 4.02 *Appraisal Rights.* The Stockholder agrees not to exercise any rights (including, without limitation, under Section 262 of the General Corporation Law of the State of Delaware) to demand appraisal of any Shares which may arise with respect to the Merger.

Section 4.03 *Stop Transfer.* The Stockholder agrees with, and covenants to, Parent that the Stockholder shall not request that the Company register the transfer (book-entry or otherwise) of any certificate or uncertificated interest representing any of the Shares, unless such transfer is made in compliance with this Agreement.

ARTICLE 5
MISCELLANEOUS

Section 5.01 *Further Assurances.* Parent and the Stockholder will each execute and deliver, or cause to be executed and delivered, all further documents and instruments and use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations, to consummate and make effective the transactions contemplated by this Agreement.

Section 5.02 *Amendments; Termination.* Any provision of this Agreement may be amended or waived if, but only if, such amendment or, waiver is in writing and is signed, in the case of an

amendment, by each party to this Agreement or, in the case of a waiver, by the party against whom the waiver is to be effective. This Agreement shall terminate upon the earlier of (a) the termination of the Acquisition Agreement in accordance with its terms or (b) the Effective Time.

Section 5.03 *Remedies Cumulative.* All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any of such rights, powers or remedies by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

Section 5.04 *Recovery of Attorney's Fees.* In the event of any litigation between the parties relating to this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs (including court costs) from the non-prevailing party, provided that if both parties prevail in part, the reasonable attorneys' fees and costs shall be awarded by the court in such manner as it deems equitable to reflect the relative amounts and merits of the parties' claims.

Section 5.05 *Certain Events.* Subject to Section 4.01 hereof, the Stockholder agrees that this Agreement and the obligations hereunder shall attach to the Shares and shall be binding upon any person or entity to which legal ownership or Beneficial Ownership of the Shares shall pass, whether by operation of law or otherwise, including, without limitation, the Stockholder's heirs, guardians, administrators or successors. Notwithstanding any such transfer of Shares, the transferor shall remain liable for the performance of all obligations under this Agreement of the transferor.

Section 5.06 *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the written consent of the other parties hereto, except that Parent may transfer or assign its rights and obligations to any affiliate of Parent.

Section 5.07 *Severability.* Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision of this Agreement in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 5.08 *No Waiver.* The failure of any party hereto to exercise any right, power or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

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Section 5.10 *Specific Performance.* Each of the parties hereto recognizes and acknowledges that a breach by it of any covenants or agreements contained in this Agreement will cause the other party to sustain damages for which it would not have an adequate remedy at law for money damages, and therefore each of the parties hereto agrees that in the event of any such breach the aggrieved party shall be entitled to the remedy of specific performance of such covenants and agreements and injunctive and other equitable relief, without the necessity of posting bond, in addition to any other remedy to which it may be entitled at law or in equity.

Section 5.11 *Antidilution.* In the event that the Company institutes any change in the Company Common Stock by reason of stock dividends, split-ups, mergers, recapitalizations, combinations, conversions, exchanges of shares or the like, all Shares resulting from such change shall be subject to this Agreement and the prices referred to herein shall be proportionately adjusted to reflect such change.

Section 5.12 *Stockholder Capacity.* If the Stockholder is or becomes during the term hereof, or has designated or designates during the term hereof, a director of the Company, the Stockholder does not make any agreement or understanding herein in the Stockholder's capacity as a director or on behalf of any director designated by the Stockholder, as the case may be. The Stockholder signs solely in the Stockholder's capacity as the record and Beneficial Owner of the Shares. Nothing in this Agreement will be deemed to restrict or limit the right of any affiliate of the Stockholder to act in his or her capacity as an officer or director of the Company consistent with his, her or its fiduciary obligations in such capacity as permitted under the Acquisition Agreement.

Section 5.13 *Release.* The Stockholder, solely in such capacity as a stockholder of the Company, hereby releases and discharges Parent, the Company, the Surviving Corporation and their respective officers, directors, stockholders, employees, agents, attorneys, representatives, successors and assigns (and the respective heirs, executors, administrators, representatives, successors and assigns of such officers, directors, stockholders, employees, agents, attorneys and representatives) from any and all claims, actions, causes of action, suits, debts, sums of money, controversies, agreements, promises, damages, judgments, claims and demands whatsoever, at law or in equity, which the Stockholder, solely as a result of the Stockholder's status as a stockholder of the Company, had or now has for, upon or by reason of any matter, cause or thing whatsoever relating, directly or indirectly, to Parent, the Company or the Surviving Corporation; *provided, however,* that this release shall not cover any claims the Stockholder may have against the Parent for failure to pay the purchase price for the Shares tendered pursuant to Section 1.03.

Section 5.14 *Governing Law.* This Agreement shall be construed in accordance with, and governed by, the laws of the State of Delaware (without giving effect to its principles of conflicts of laws).

Section 5.15 *Entire Agreement.* This Agreement and the Acquisition Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

Section 5.16 *Notices.* All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been given at the earlier of the date personally delivered or sent by telephonic facsimile transmission (with a copy via other means specified herein) or one day after sending via nationally recognized overnight courier or five days after deposit in

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the United States mail, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

If to the Stockholder: At the address set forth on the signature pages hereof

with a copy to: _____

_____

_____

_____

_____

If to Parent:
Zebra Technologies Corporation
333 Corporate Woods Parkway
Vernon Hills, Illinois 60061
Attention: Chief Executive Officer
Telephone: (847) 634-6700
Facsimile: (847) 913-8766

with a copy to:
Katten Muchin Zavis
525 West Monroe Street
Suite 1600
Chicago, Illinois 60661
Attention: Herbert S. Wander, Esq.

Telephone: (312) 902-5267
Facsimile: (312) 577-8885

or to such other address as the Person to whom notice is given may have previously furnished to the others in writing in the manner set forth in this Section 5.16.

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Section 5.19 *Descriptive Headings.* The descriptive headings used herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 5.20 *Counterparts.* This Agreement may be signed in two counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

ZEBRA TECHNOLOGIES CORPORATION

By: _____

Name: _____

Title: _____

STOCKHOLDER

Class of Stock	Shares Owned
Common Stock	

_____

Address: _____

_____

_____

_____

Telephone: _____

Telecopy: _____

QuickLinks