
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from _____ to _____

Commission file number: 0-32259

ALIGN TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-3267295
(I.R.S. Employer
Identification Number)

2560 Orchard Parkway
San Jose, California 95131
(Address of principal executive offices)

(408) 470-1000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding of the registrant's Common Stock, \$0.0001 par value, as of October 28, 2011 was 78,544,695.

ALIGN TECHNOLOGY, INC.

INDEX

PART I	FINANCIAL INFORMATION	3
ITEM 1.	FINANCIAL STATEMENTS (UNAUDITED);	3
	CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS	3
	CONDENSED CONSOLIDATED BALANCE SHEETS	4
	CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	5
	NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	6
ITEM 2.	MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	20
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	34
ITEM 4.	CONTROLS AND PROCEDURES	34
PART II	OTHER INFORMATION	34
ITEM 1.	LEGAL PROCEEDINGS	34
ITEM 1A.	RISK FACTORS	35
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	47
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	47
ITEM 4.	REMOVED AND RESERVED	47
ITEM 5.	OTHER INFORMATION	47
ITEM 6.	EXHIBITS	47
	SIGNATURES	48

Invisalign, Align, ClinCheck, Invisalign Assist, Invisalign Teen, Vivera, iTero and iOC amongst others, are trademarks belonging to Align Technology, Inc. or its subsidiaries and are pending or registered in the United States and other countries.

PART I—FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS
ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net revenues (1)	\$125,894	\$95,947	\$350,836	\$294,233
Cost of net revenues	33,524	21,014	85,103	62,572
Gross profit	92,370	74,933	265,733	231,661
Operating expenses:				
Sales and marketing	34,655	26,905	106,062	83,790
General and administrative	21,609	16,203	66,695	46,159
Research and development	8,926	6,592	27,586	19,104
Litigation settlement	—	3,310	—	3,310
Insurance settlement	—	—	—	(8,666)
Amortization of acquired intangible assets	868	—	1,460	—
Total operating expenses	66,058	53,010	201,803	143,697
Profit from operations	26,312	21,923	63,930	87,964
Interest and other income (expense), net	(118)	(83)	(335)	(480)
Net profit before provision for income taxes	26,194	21,840	63,595	87,484
Provision for income taxes	6,930	5,025	17,328	23,136
Net profit	\$ 19,264	\$16,815	\$ 46,267	\$ 64,348
Net profit per share:				
Basic	\$ 0.25	\$ 0.22	\$ 0.60	\$ 0.85
Diluted	\$ 0.24	\$ 0.22	\$ 0.58	\$ 0.83
Shares used in computing net profit per share:				
Basic	78,455	76,081	77,735	75,653
Diluted	80,266	78,109	80,040	77,852

(1) The nine months ended September 30, 2010 includes a \$14.3 million release of previously deferred revenue for Invisalign Teen replacement aligners.

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

ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 202,229	\$ 294,664
Marketable securities, short-term	8,185	8,615
Accounts receivable, net of allowance for doubtful accounts of \$417 and \$735, respectively	86,648	65,430
Inventories	8,278	2,544
Prepaid expenses and other current assets	21,794	17,358
Total current assets	<u>327,134</u>	<u>388,611</u>
Marketable securities, long-term	677	9,089
Property, plant and equipment, net	46,388	30,684
Goodwill	135,743	478
Intangible assets, net	50,279	2,188
Deferred tax asset	22,945	42,439
Other assets	2,754	3,454
Total assets	<u>\$ 585,920</u>	<u>\$ 476,943</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 14,138	\$ 7,768
Accrued liabilities	58,281	51,358
Deferred revenues	47,768	33,848
Total current liabilities	120,187	92,974
Other long-term liabilities	8,857	6,222
Total liabilities	129,044	99,196
Commitments and contingencies (Notes 7 and 10)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value (5,000 shares authorized; none issued)	—	—
Common stock, \$0.0001 par value (200,000 shares authorized; 78,531 and 76,390 issued and outstanding, respectively)	8	8
Additional paid-in capital	588,501	555,851
Accumulated other comprehensive income, net	346	134
Accumulated deficit	(131,979)	(178,246)
Total stockholders' equity	<u>456,876</u>	<u>377,747</u>
Total liabilities and stockholders' equity	<u>\$ 585,920</u>	<u>\$ 476,943</u>

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

ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	\$ 46,267	\$ 64,348
Adjustments to reconcile net profit to net cash provided by operating activities:		
Deferred taxes	13,506	17,631
Depreciation and amortization	9,099	8,694
Stock-based compensation	14,206	12,138
Amortization of intangibles	4,008	2,100
Amortization of prepaid royalties	—	827
Benefit from doubtful accounts	(131)	(10)
Loss (gain) on retirement and disposal of fixed assets	(25)	60
Changes in assets and liabilities, net of acquired assets and liabilities:		
Accounts receivable	(16,086)	(9,962)
Inventories	(2,975)	(343)
Prepaid expenses and other assets	522	(3,086)
Accounts payable	3,748	13
Accrued and other long-term liabilities	5,504	6,260
Deferred revenues	10,836	(1,666)
Net cash provided by operating activities	<u>88,479</u>	<u>97,004</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition, net of cash acquired	(186,920)	—
Purchase of property, plant and equipment	(21,029)	(11,932)
Purchases of marketable securities	—	(12,742)
Maturities of marketable securities	8,842	17,474
Other assets	(190)	(1,356)
Net cash used in investing activities	<u>(199,297)</u>	<u>(8,556)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	19,882	10,907
Employees' taxes paid upon the vesting of restricted stock units	(1,481)	(889)
Net cash provided by financing activities	<u>18,401</u>	<u>10,018</u>
Effect of foreign exchange rate changes on cash and cash equivalents	(18)	(29)
Net increase (decrease) in cash and cash equivalents	(92,435)	98,437
Cash and cash equivalents, beginning of period	294,664	166,487
Cash and cash equivalents, end of period	<u>\$ 202,229</u>	<u>\$ 264,924</u>

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

ALIGN TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Align Technology, Inc. (“we”, “our”, or “Align”) in accordance with the rules and regulations of the Securities and Exchange Commission (SEC) and contain all adjustments, including normal recurring adjustments, necessary to present fairly our financial position as of September 30, 2011, our results of operations for the three and nine months ended September 30, 2011 and 2010, and our cash flows for the nine months ended September 30, 2011 and 2010. The Condensed Consolidated Balance Sheet as of December 31, 2010 was derived from the December 31, 2010 audited financial statements.

The results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011 or any other future period, and we make no representations related thereto. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Quantitative and Qualitative Disclosures About Market Risk” and the Consolidated Financial Statements and notes thereto included in Items 7, 7A and 8, respectively, in our Annual Report on Form 10-K for the year ended December 31, 2010.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in our Condensed Consolidated Financial Statements and accompanying notes. Actual results could differ materially from those estimates.

Revenue recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. Revenues are recognized from product sales, net of discounts and rebates. Service revenues related to the training of dental professionals and staff on the Invisalign treatment process is recorded when the services are completed.

Beginning January 1, 2011, we adopted revenue recognition guidance under Accounting Standards Update (“ASU”) 2009-13, “Revenue Recognition: Multiple-Deliverable Revenue Arrangements,” on a prospective basis for new or materially modified arrangements. This update amends the guidance on revenue arrangements with multiple deliverables and eliminates the use of the residual method. A deliverable constitutes a separate unit of accounting when it has stand-alone value, even if the deliverable is not sold separately.

Invisalign

We enter into arrangements (“treatment plans”) that involve multiple future product deliverables. For example, included in the price of Invisalign Full, Invisalign Teen and Invisalign Assist, we offer optional case refinement, which is a finishing tool used to adjust a patient’s teeth to the desired final position. Case refinement may be elected by the dental professional at any time during treatment however it is generally ordered in the last stages of orthodontic treatment. Invisalign Teen also includes six optional replacement aligners in the price of the product and may be ordered at any time throughout treatment.

We use vendor specific objective evidence (“VSOE”) adjusted by estimated usage rates for case refinements and replacement aligners to determine the respective estimated selling price (“ESP”). In the absence of VSOE, we determine our best estimate of selling price, as if it is sold on a stand-alone basis, and take into consideration our pricing and discounting strategies, market conditions, as well as historical price. We regularly review our VSOE and ESP and maintain internal controls over the establishment and update of these estimates.

We determined that our treatment plans are comprised of four possible deliverables that represent separate units of accounting: single-batched aligners, multiple-batched aligners, case refinement and replacement aligners. We allocate revenue for each treatment plan based on each unit’s relative selling price and recognize the revenue upon the delivery of each unit in the treatment plan.

The adoption of ASU 2009-13 did not have a material impact on our financial statements and is not expected to have a material impact in future periods. Although the financial statement impact was not material, the adoption of ASU 2009-13 did impact our accounting for Invisalign Assist with the progress tracking feature, in which aligners are shipped to the dental professional every nine stages (“a batch”). We determined that each batch has stand-alone value and therefore represents a separate unit of accounting. The estimated selling price for Invisalign Assist with progress tracking is allocated according to the estimated number of batches.

[Table of Contents](#)

Prior to January 1, 2011, we used VSOE as fair value to allocate revenue to the case refinement and replacement aligner deliverables. We deferred the fair value of case refinement and replacement aligner deliverables based on a breakage factor and recognized the residual revenue upon initial batch shipment. The deferred revenue was subsequently recognized as the refinement and replacement aligners were shipped. For Invisalign Assist with the progress tracking feature, we did not have independent evidence of fair value for the separate batches of aligners, so all batches of aligners were considered a single unit of accounting prior to January 1, 2011. For these treatment plans, revenue was deferred upon the first batched shipment and recognized upon the final batched shipment.

We estimate and record a provision for amounts of estimated losses on sales, if any, in the period such sales occur. We have not recorded any estimated losses for the periods presented. Provisions for discounts and rebates to customers are provided for in the same period that the related product sales are recorded based upon historical discounts and rebates.

Scanners and CAD/CAM Services

We recognize revenues from the sales of iTero and iOC scanners and CAD/CAM services. CAD/CAM services include scanning services, extended warranty for the scanners, a range of iTero restorative services and OrthoCAD services, such as OrthoCAD iCast, OrthoCAD iQ, and OrthoCAD iRecord. We sell scanners and services through both our direct sales force and distributors. The scanner sales price includes one year of warranty, and for additional fees, the customer may select an unlimited scanning service agreement over a fixed period of time or extended warranty periods. When scanners are sold with either an unlimited scanning service agreement and/or extended warranty, we allocate revenue based on each element's relative selling price. We estimate the selling price of each element, as if it is sold on a stand-alone basis, taking into consideration historical prices as well as our pricing and discounting strategies. We will continue to review our estimates as we continue to integrate Cadent into our business.

Revenues from unlimited scanning service agreements and extended warranty are recognized ratably over the service periods. If a customer selects a pay per use basis for scanning service fees, the revenue is recognized as the service is provided.

For direct sales and sales to certain distributors, scanner revenue is recognized once the scanner has been installed and on-site training is completed. For other distributors who provide training to the customer, we recognize scanner revenue when the scanner is shipped to the distributor assuming all of the other revenue recognition criteria have been met.

Revenues from iTero restorative services and OrthoCAD services are recognized as the services are provided.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (ASC 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This new accounting standard update provides certain amendments to the fair value measurement guidance and includes some enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for Level 3 measurements based on unobservable inputs. The standard is effective for the year beginning after December 15, 2011. We will adopt this standard in the first quarter of 2012 and are currently evaluating the impact of this new standard on our consolidated financial statements and disclosures.

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income (ASC 220): Presentation of Comprehensive Income." This new accounting standard update eliminates the current option to report other comprehensive income and its components in the statement of stockholders' equity. Instead, an entity will be required to present items of net income and other comprehensive income in one continuous statement or in two separate statements. The standard is effective for the year beginning after December 15, 2011. Early adoption is permitted, however, we are still determining the period of adoption.

In September 2011, FASB issued ASU 2011-08, "Intangibles - Goodwill and Other (ASC 350): Testing Goodwill for Impairment." This new revised accounting standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a "qualitative" assessment to determine whether further impairment testing is necessary. Specifically, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. This standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We will adopt this standard in the first quarter of 2012 and are currently evaluating its impact on our financial statements.

Note 2. Marketable Securities and Fair Value Measurements

Our short-term and long-term marketable securities as of September 30, 2011 and December 31, 2010 are as follows (in thousands):

Short-term

September 30, 2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	\$ 4,910	\$ 1	\$ (6)	\$ 4,905
Foreign bonds	1,263	—	(10)	1,253
Agency bonds	2,023	4	—	2,027
Total	<u>\$ 8,196</u>	<u>\$ 5</u>	<u>\$ (16)</u>	<u>\$ 8,185</u>

Long-term

September 30, 2011	Amortized Cost	Gross Unrealized Losses	Fair Value
Corporate bonds	<u>\$ 678</u>	<u>\$ (1)</u>	<u>\$ 677</u>

Short-term

December 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds and certificate of deposit	\$ 3,012	\$ —	\$ (1)	\$ 3,011
Foreign bonds	705	—	—	705
Commercial paper	1,900	—	—	1,900
Discount notes	2,998	1	—	2,999
Total	<u>\$ 8,615</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>\$ 8,615</u>

Long-term

December 31, 2010	Amortized Cost	Gross Unrealized Losses	Fair Value
Corporate bonds	\$ 5,748	\$ (11)	\$ 5,737
Foreign bonds	1,307	(1)	1,306
Agency bonds	2,047	(1)	2,046
Total	<u>\$ 9,102</u>	<u>\$ (13)</u>	<u>\$ 9,089</u>

For the three and nine months ended September 30, 2011 and 2010, no significant gains or losses were realized on the sale of marketable securities.

Fair Value Measurements

We measure the fair value of our cash equivalents and marketable securities as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use the GAAP fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value:

Level 1—Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Our Level 1 assets consist of money market funds. We did not hold any Level 1 liabilities as of September 30, 2011.

[Table of Contents](#)

Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Our Level 2 assets consist of corporate bonds, foreign bonds and agency bonds. We did not hold any Level 2 liabilities as of September 30, 2011.

Level 3—Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

We did not hold any Level 3 assets or liabilities as of September 30, 2011. The following table summarizes our financial assets measured at fair value on a recurring basis as of September 30, 2011 (in thousands):

Description	Balance as of September 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash equivalents:			
Money market funds	\$ 82,395	\$ 82,395	
Short-term investments:			
Corporate bonds	4,905		4,905
Foreign bonds	1,253		1,253
Agency bonds	2,027		2,027
Long-term investments:			
Corporate bonds	677		677
	<u>\$ 91,257</u>	<u>\$ 82,395</u>	<u>\$ 8,862</u>

Note 3. Balance Sheet Components

Inventories

Inventories are comprised of (in thousands):

	September 30, 2011	December 31, 2010
Raw materials	\$ 4,991	\$ 1,272
Work in process	1,529	1,030
Finished goods	1,758	242
	<u>\$ 8,278</u>	<u>\$ 2,544</u>

Work in process includes costs to produce the Invisalign and scanner products. Finished goods primarily represent our scanners and ancillary products that support the Invisalign system.

[Table of Contents](#)

Accrued liabilities

Accrued liabilities consist of the following (in thousands):

	September 30, 2011	December 31, 2010
Accrued payroll and benefits	\$ 30,395	\$ 26,551
Accrued litigation settlement	—	4,549
Accrued income taxes	310	1,936
Accrued sales rebate	6,374	3,826
Accrued sales tax and value added tax	6,624	2,940
Accrued warranty	3,273	2,607
Accrued sales and marketing expenses	2,889	2,955
Other	8,416	5,994
	<u>\$ 58,281</u>	<u>\$ 51,358</u>

Note 4. Business Combination

On April 29, 2011, we completed the acquisition of Cadent Holdings, Inc. (“Cadent”) pursuant to the Agreement and Plan of Merger (the “Merger Agreement”). Cadent is a provider of 3D digital scanning solutions for the orthodontic and dental industry. We expect the acquisition of Cadent to strengthen our ability to drive the adoption of Invisalign by integrating Invisalign treatment more fully with mainstream tools and procedures in doctors’ practices.

Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, we acquired Cadent, which became a wholly owned subsidiary of Align, for an aggregate cash purchase price of approximately \$187.0 million.

The following table summarizes the allocation of the preliminary purchase price as of April 29, 2011 (in thousands):

Assets	\$ 16,161
Property, plant and equipment	3,645
Acquired identifiable intangible assets:	
Trademarks (one to fifteen-year useful lives)	10,300
Existing technology (thirteen year useful life)	11,900
Customer relationships (eleven year useful life)	29,900
Goodwill	135,265
Liabilities assumed	(20,171)
Total	<u>\$ 187,000</u>

The preliminary allocation is based on estimates, assumptions, valuations and other studies which have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the allocation will remain preliminary until we have all information to finalize the allocation of the purchase price. We have incurred direct transaction costs of approximately \$6.4 million that include investment banking, legal and accounting fees, and other external costs directly related to the acquisition. These costs were expensed as incurred as part of our operating expenses.

Goodwill of \$135.3 million represents the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets, and represents the expected synergistic benefits of the transaction and the knowledge and experience of the workforce in place. None of this goodwill will be deductible for tax purposes. Under the applicable accounting guidance, goodwill will not be amortized but will be tested for impairment on an annual basis or more frequently if certain indicators are present. As of September 30, 2011, we are still in the process of assessing the assignment of this goodwill to the appropriate reporting unit or units.

[Table of Contents](#)

During the period of May 2011 through September 2011, Cadent contributed revenues of approximately \$18.1million and net loss of approximately \$6.2 million.

The following table presents the results of Align and Cadent for three and nine months ended September 30, 2011 and 2010, on a pro forma basis, as though the companies had been combined as of the beginning of January 1, 2011 and 2010. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of January 1, 2011 and 2010 or of results that may occur in the future (in thousands):

	Proforma Net Revenues and Net Profit Three Months Ended September 30,		Proforma Net Revenues and Net Profit Nine Months Ended September 30,	
	2011	2010	2011	2010
Net revenues	\$ 125,894	\$ 105,596	\$ 363,563	\$ 322,788
Net profit	\$ 19,264	\$ 16,188	\$ 41,967	\$ 62,498

Note 5. Goodwill

The change in the carrying value of goodwill for the nine months ended September 30, 2011 is as follows (in thousands):

Balance as of December 31, 2010	\$ 478
Goodwill from the Cadent acquisition	135,265
Balance as of September 30, 2011	<u>\$ 135,743</u>

Goodwill of \$135.3 million as a result of the Cadent acquisition represents the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets, and represents the expected synergistic benefits of the transaction and the knowledge and experience of the workforce in place. Under the applicable accounting guidance, goodwill will not be amortized but will be tested for impairment on an annual basis or more frequently if certain indicators are present.

Note 6. Intangible Assets

Acquired intangible assets

Information regarding our intangible assets as a direct result from the Cadent acquisition is being amortized as follows (in thousands):

	Gross Carrying Amount as of April 29, 2011	Accumulated Amortization	Net Carrying Value as of September 30, 2011
Trademarks	\$ 10,300	\$ (341)	\$ 9,959
Existing technology	11,900	(449)	11,451
Customer relationships	29,900	(1,120)	28,780
	<u>\$ 52,100</u>	<u>\$ (1,910)</u>	<u>\$ 50,190</u>

[Table of Contents](#)

Amortization of the acquired existing technology is recorded in cost of revenue, while the amortization of acquired trademarks and customer relationships are included in operating expenses. The following table summarizes the amortization expense of acquired intangible assets for the periods indicated (in thousands):

	<u>Three Months Ended</u> <u>September 30, 2011</u>	<u>Nine Months Ended</u> <u>September 30, 2011</u>
Amortization of acquired intangible assets		
In cost of revenue	\$ 267	\$ 450
In operating expense	868	1,460
Total	<u>\$ 1,135</u>	<u>\$ 1,910</u>

The total estimated annual future amortization expense for these acquired intangible assets as of September 30, 2011 is as follows (in thousands):

<u>Fiscal Year</u>	
2011 (remaining 3 months)	\$ 1,163
2012	4,452
2013	4,352
2014	4,307
2015	4,285
2016 and thereafter	31,631
Total	<u>\$50,190</u>

Non-compete Agreements

The non-compete intangible assets represent agreements received in conjunction with the October 2006 OrthoClear Agreement at gross value of \$14.0 million. These assets are amortized on a straight-line basis over the expected useful life of five years. As of September 30, 2011 and December 31, 2010, the net carrying value of these non-compete agreements was \$0.1 million (net of \$13.9 million of accumulated amortization) and \$2.2 million (net of \$11.8 million of accumulated amortization), respectively.

The total estimated annual future amortization expense for these intangible assets as of September 30, 2011 is \$0.1 million. These non-compete intangible assets will be fully amortized by the end of October 2011.

Impairment assessment

We perform an impairment test whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Examples of such events or circumstances include significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of acquired assets or the strategy for its business, significant negative industry or economic trends, and/or a significant decline in our stock price for a sustained period. Impairments are recognized based on the difference between the fair value of the asset and its carrying value, and fair value is generally measured based on discounted cash flow analyses. There were no impairments of intangible assets during the periods presented.

Note 7. Legal Proceedings

Securities Litigation

In August 2009, Plaintiff Charles Wozniak filed a lawsuit against us and our Chief Executive Officer and President, Thomas M. Prescott ("Mr. Prescott"), in District Court for the Northern District of California on behalf of a claimed class consisting of all persons or entities who purchased our common stock between January 30, 2007 and October 24, 2007. The complaint alleges that Align and Mr. Prescott violated Section 10(b) of the Securities Exchange Act of 1934 and that Mr. Prescott violated Section 20(a) of the Securities Exchange Act of 1934. Specifically, the complaint alleges that during the class period we failed to disclose that we had shifted the focus of our sales force to clearing backlog, causing a significant decrease in the number of new case starts. On November 13, 2009, the Court appointed Plumbers and Pipefitters National Pension Fund as lead plaintiff. The lead plaintiff filed an amended complaint on January 29, 2010. The amended complaint alleges that we and Mr. Prescott issued a number of purportedly false and misleading statements throughout the class period concerning the Patients First program, our production capacity, a purported backlog, and the focus of our sales force. On March 26, 2010, we and Mr. Prescott filed a motion to dismiss the amended complaint. The motion was heard by the Court on July 9, 2010 and on June 8, 2011, the Court granted our motion to dismiss with leave to amend. On July 22, 2011, the lead plaintiff filed a second amended complaint adding allegations that Align and Mr. Prescott issued a number of purportedly false and misleading statements throughout the class period concerning our ClinAdvisor product Align and Mr. Prescott moved to dismiss the amended complaint. The hearing on that motion is currently scheduled for January 13, 2012. We believe the lawsuit to be without merit and intend to vigorously defend ourselves. We believe there is no evidence to indicate that a reasonable possibility exists that a loss had been incurred as of September 30, 2011.

Note 8. Legal Settlements

Ormco

On August 16, 2009 we entered into a Settlement Agreement with Ormco Corporation, an affiliate of Danaher Corporation that ended all pending litigation between the parties and included a payment of \$7.0 million for prepaid royalties. We amortized \$6.2 million of the prepaid royalties to cost of sales in fiscal year 2009 and the remaining \$0.8 million in the first quarter of 2010.

Leiszler

On May 10, 2010, Christopher J. Leiszler filed a complaint against us in the United States District Court for the Northern District of California. The complaint alleged that we implemented unfair and fraudulent requirements for the prescription of Invisalign through the Invisalign Proficiency Requirements for minimum case submission and continuing education credits requirements. In January 2010 Dr. Leiszler's Invisalign provider status was suspended for failing to meet the Proficiency Requirements. Dr. Leiszler sued on behalf of himself and all others similarly situated. The complaint sought a refund of the price paid to us for Invisalign training. On October 19, 2010, we entered into a memorandum of understanding to resolve this litigation, and on November 30, 2010, we executed a formal Stipulation of Settlement. On December 23, 2010, the Court granted preliminary approval of the proposed settlement and on April 8, 2011, granted final approval of the settlement. The settlement took effect on May 18, 2011. Under the terms of the settlement, class members who did not elect to receive the cash remedy prior to the Court-ordered deadline will be reinstated to prescribe Invisalign treatment after the effective date under certain circumstances. In January 2011, we deposited approximately \$8.0 million into an escrow account to pay eligible class members who elected the cash remedy, as well as legal fees and other costs. We recorded a total litigation settlement charge of \$4.5 million during the third and fourth quarter of 2010 for this settlement. In early June 2011, payments were made from the escrow account to class members who elected the cash remedy and the remaining balance of the escrow has been refunded to Align, except for a nominal amount which has been retained for administrative purposes. As of September 30, 2011, we have no further liability related to this matter.

Note 9. Credit Facilities

On December 14, 2010, we renegotiated and amended our existing credit facility with Comerica Bank. Under this revolving line of credit, we have \$30.0 million of available borrowings with a maturity date of December 31, 2012. The interest rate on borrowings will range from Libor plus 1.5% to 2.0% depending upon the amount of cash we maintain at Comerica Bank. This credit facility requires a quick ratio covenant and also requires us to maintain a minimum unrestricted cash balance of \$10.0 million. Additionally, in the event our unrestricted cash deposited is less than \$55.0 million, the unused facility fee will increase from 0.050% per quarter to 0.125% per quarter. As of September 30, 2011, we had no outstanding borrowings under this credit facility and are in compliance with the financial covenants.

Note 10. Commitments and Contingencies**Operating Leases**

As of September 30, 2011, minimum future lease payments for non-cancelable leases are as follows (in thousands):

Fiscal Year	
2011 (remaining 3 months)	\$ 1,659
2012	6,193
2013	4,787
2014	3,546
2015	3,206
2016 and thereafter	5,334
Total	<u>\$24,725</u>

Warranty

We regularly review the accrued balances and update these balances based on historical warranty trends. Actual warranty costs incurred have not materially differed from those accrued. However, future actual warranty costs could differ from the estimated amounts.

Invisalign

We warrant our Invisalign products against material defects until the Invisalign case is complete. We accrue for warranty costs in cost of revenues upon shipment of products. The amount of accrued estimated warranty costs is primarily based on historical experience as to product failures as well as current information on replacement costs.

Scanners

We warrant our scanners for a period of one year, which include materials and labor. Extended warranty may be purchased for additional fees. We accrue for these warranty costs based on average historical repair costs.

The following table reflects the change in our warranty accrual during the nine months ended September 30, 2011 and 2010, respectively (in thousands):

	Nine Months Ended September 30,	
	2011	2010
Balance at beginning of period	\$ 2,607	\$ 2,376
Charged to cost of revenues	2,601	2,212
Assumed warranty from Cadent	350	—
Actual warranty expenses	(2,285)	(1,930)
Balance at end of period	<u>\$ 3,273</u>	<u>\$ 2,658</u>

Note 11. Stock-based Compensation

Summary of stock-based compensation expense

On May 19, 2011 the Shareholders approved an increase of 3,000,000 shares to the 2005 Incentive Plan (as amended) for a total reserve of 16,283,379 shares for issuance, plus up to an aggregate of 5,000,000 shares that would have been returned to our 2001 Stock Incentive Plan as a result of termination of options on or after March 28, 2005.

Stock-based compensation expense is based on the estimated fair value of awards, net of estimated forfeitures and recognized over the requisite service period on a straight line basis. Estimated forfeitures are based on historical experience at the time of grant and may be revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The stock-based compensation expense related to all of our stock-based awards and employee stock purchases for the three and nine months ended September 30, 2011 and 2010 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cost of revenues	\$ 421	\$ 399	\$ 1,378	\$ 1,237
Sales and marketing	1,416	1,280	3,949	3,387
General and administrative	2,372	2,141	6,813	5,960
Research and development	745	594	2,066	1,554
Total stock-based compensation expense	<u>\$ 4,954</u>	<u>\$ 4,414</u>	<u>\$ 14,206</u>	<u>\$ 12,138</u>

Options

Activity for the nine months period ended September 30, 2011 under the stock option plans are set forth below (in thousands, except years and per share amounts):

	Number of Shares Underlying Stock Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at of December 31, 2010	7,815	\$ 12.99		
Granted	421	22.07		
Exercised	(1,354)	10.90		
Cancelled or expired	(110)	15.29		
Outstanding as of September 30, 2011	<u>6,772</u>	<u>\$ 13.94</u>		
Vested and expected to vest at September 30, 2011	<u>6,626</u>	<u>\$ 13.85</u>	<u>5.1</u>	<u>\$ 19,510</u>
Exercisable at September 30, 2011	<u>5,099</u>	<u>\$ 13.05</u>	<u>4.8</u>	<u>\$ 17,096</u>

[Table of Contents](#)

The fair value of stock options granted was estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011 *	2010	2011	2010
Stock Options:				
Expected term (in years)	—	4.4	4.4	4.4
Expected volatility	—	63.4%	61.0%	63.3%
Risk-free interest rate	—	1.5%	1.7%	1.9%
Expected dividend	—	—	—	—
Weighted average fair value per share at grant date	\$ —	\$ 7.28	\$10.87	\$9.06

* There were no stock options granted during the three months ended September 30, 2011.

As of September 30, 2011, we expect to recognize \$11.5 million of total unamortized compensation cost, net of estimated forfeitures, related to stock options over a weighted average period of 2.2 years.

Restricted Stock Units

A summary of the nonvested shares for the nine months ended September 30, 2011 is as follows:

	Number of Shares Underlying RSUs (in thousands)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Nonvested as of December 31, 2010	905		
Granted	748		
Vested and released	(375)		
Forfeited	(55)		
Nonvested as of September 30, 2011	<u>1,223</u>	<u>1.53</u>	<u>\$ 18,553</u>

As of September 30, 2011 the total unamortized compensation cost related to restricted stock units, net of estimated forfeitures, was \$15.6 million, which we expect to recognize over a weighted average period of 2.6 years.

On February 18, 2011, we granted market-performance based restricted stock units (“MSU”) to our named executive officers. Each MSU represents the right to one share of Align’s common stock and will be issued through our amended 2005 Incentive Plan. The actual number of MSUs which will be eligible to vest will be based on the performance of Align’s stock price relative to the performance of the NASDAQ Composite Index over the vesting period, generally two to three years, up to 150% of the MSUs initially granted.

[Table of Contents](#)

The following table summarizes the MSU performance as of September 30, 2011:

	<u>Number of Shares Underlying MSUs (in thousands)</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Nonvested as of December 31, 2010*	—		
Granted	138,200		
Vested and released	—		
Forfeited	—		
Nonvested as of September 30, 2011	<u>138,200</u>	<u>1.9</u>	<u>\$ 2,096</u>

* There were no MSU grants outstanding as of December 31, 2010.

As of September 30, 2011, we expect to recognize \$1.8 million of total unamortized compensation cost, net of estimated forfeitures, related to MSU over a weighted average period of 1.9 years. There were no MSUs granted during the third quarter of 2011.

Employee Stock Purchase Plan

In May 2010, our shareholders approved the 2010 Employee Stock Purchase Plan (the "2010 Purchase Plan") to replace the 2001 Purchase Plan which expired on January 31, 2011. The terms and features of the 2010 Purchase Plan are substantially the same as the 2001 Purchase Plan and will continue until terminated by either the Board or its administrator. The maximum number of shares available for issuance under the 2010 Purchase Plan is 2,400,000 shares.

The fair value of the option component of the Purchase Plan shares was estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Employee Stock Purchase Plan:				
Expected term (in years)	1.2	1.3	1.2	1.3
Expected volatility	44.9%	53.4%	43.2%	55.9%
Risk-free interest rate	0.3%	0.4%	0.4%	0.4%
Expected dividend	—	—	—	—
Weighted average fair value per share at grant date	\$ 7.46	\$ 6.87	\$ 7.29	\$ 7.22

As of September 30, 2011, we expect to recognize \$2.2 million of the total unamortized compensation cost related to employee purchases over a weighted average period of 0.5 years.

Note 12. Accounting for Income Taxes

The financial statement recognition of the benefit for an uncertain tax position is dependent upon the benefit being more-likely-than-not to be sustainable upon audit by the applicable taxing authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than fifty percent likely of being realized upon ultimate settlement.

During the third quarter of fiscal 2011, the amount of unrecognized tax benefits was increased by approximately \$1.0 million. The total amount of unrecognized tax benefits was \$14.0 million as of September 30, 2011, which would impact our effective tax rate if recognized. We are subject to taxation in the U.S. and various states and foreign jurisdictions. All of our tax years will be open to examination by the U.S. federal and most state tax authorities due to our net operating loss and overall credit carryforward position. With few exceptions, we are no longer subject to examination by foreign tax authorities for years before 2006.

[Table of Contents](#)**Note 13. Net Profit Per Share**

Basic net profit per share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted net profit per share is computed using the weighted average number of shares of common stock, adjusted for the dilutive effect of potential common stock. Potential common stock, computed using the treasury stock method, include options, restricted stock units, and the dilutive component of Purchase Plan shares.

The following table sets forth the computation of basic and diluted net profit per share attributable to common stock (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net profit	\$19,264	\$16,815	\$46,267	\$64,348
Weighted-average common shares outstanding, basic	78,455	76,081	77,735	75,653
Effect of potential dilutive common shares	1,811	2,028	2,305	2,199
Total shares, diluted	80,266	78,109	80,040	77,852
Basic net profit per share	\$ 0.25	\$ 0.22	\$ 0.60	\$ 0.85
Diluted net profit per share	\$ 0.24	\$ 0.22	\$ 0.58	\$ 0.83

For the three and nine months ended September 30, 2011, stock options and restricted stock units totaling 1.9 million and 1.8 million, respectively, were excluded from diluted net profit per share because of their anti-dilutive effect. For the three and nine months ended September 30, 2010, stock options and restricted stock units totaling 3.3 million and 3.0 million, respectively, were excluded from diluted net profit per share because of their anti-dilutive effect.

Note 14. Comprehensive Income

Comprehensive income includes net profit, foreign currency translation adjustments and unrealized gains on available-for-sale securities. The components of comprehensive income are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net profit	\$19,624	\$16,815	\$46,267	\$64,348
Foreign currency translation adjustments	(23)	585	1	(120)
Change in unrealized gains on available-for-sale securities	(375)	(18)	211	(18)
Comprehensive income	\$19,226	\$17,382	\$46,479	\$64,210

Note 15. Segments and Geographical Information**Segment Information**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker (“CODM”), or decision-making group, in deciding how to allocate resources and in assessing performance. Currently, the CODM is the Chief Executive Officer. We report segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reportable segment. During all periods presented, we operated as a single business segment based on the decisions and performance assessment of Align by our CODM.

[Table of Contents](#)**Geographical Information**

Net revenues and long-lived assets are presented below by geographic area (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net revenues:				
North America	\$ 93,925	\$ 72,555	\$263,047	\$223,141
Europe	27,583	22,280	79,734	68,085
Other international	4,386	1,112	8,055	3,007
Total net revenues	<u>\$ 125,894</u>	<u>\$ 95,947</u>	<u>\$350,836</u>	<u>\$294,233</u>
	As of September 30, 2011	As of December 31, 2010		
Long-lived assets:				
North America	\$ 41,029	\$ 31,381		
Europe	1,515	837		
Other international	6,597	1,919		
Total long-lived assets	<u>\$ 49,141</u>	<u>\$ 34,137</u>		

Note 16. Subsequent Event

On October 27, 2011, we announced that our Board of Directors approved a stock repurchase program pursuant to which we may repurchase up to \$150.0 million of common stock. Purchases under the stock repurchase program may be made from time to time in the open market.

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

In addition to historical information, this quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, among other things, our expectations regarding the anticipated impact of our new products and product enhancements, including Invisalign G3 and G4, will have on doctor utilization and our market share, our expectations regarding product mix and product adoption, our expectations regarding the existence and impact of seasonality, our expectations regarding the financial and strategic benefits of the Cadent Holdings, Inc. ("Cadent") acquisition, our expectations about the timing of Invisalign interoperability with iTero 4.0, our expectations to increase our investment in manufacturing capacity, our expectations regarding the continued expansion of our international markets, the timing of our plans and transition into a new manufacturing facility, the anticipated number of new doctors trained and their impact on volumes, the level of our operating expenses and gross margins, and other factors beyond our control, as well as other statements regarding our future operations, financial condition and prospects and business strategies. These statements may contain words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," or other words indicating future results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations", and in particular, the risks discussed below in Part II, Item 1A "Risk Factors". We undertake no obligation to revise or update these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

The following discussion and analysis of our financial condition and results of operations should be read together with our Condensed Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q.

Align Technology, Inc ("We", "Our", "Align") designs, manufactures and markets the Invisalign system and the iTero and iOC scanning system and services. We received the United States Food and Drug Administration ("FDA") clearance to market Invisalign in 1998. The Invisalign system is regulated by the FDA as a Class II medical device. On April 29, 2011, we acquired Cadent Holdings, Inc, the manufacturer of the iTero and iOC digital intra-oral scanners and provider of CAD/CAM (computer-aided design and computer-aided manufacturing) restorative models for use by general dentists and/or labs and of services for orthodontic digital procedures. For the third quarter of 2011, Invisalign revenues represent approximately ninety-one percent of worldwide revenue, while the scanning products and services represent the remaining nine percent of worldwide revenues.

Invisalign System and Services

We design, manufacture and market the Invisalign system, a proprietary method for treating malocclusion, or the misalignment of teeth. Invisalign corrects malocclusion using a series of clear, nearly invisible, removable appliances that gently move teeth to a desired final position. Because it does not rely on the use of metal or ceramic brackets and wires, Invisalign significantly reduces the aesthetic and other limitations associated with metal arch wires and brackets, commonly referred to as braces. We received the United States Food and Drug Administration ("FDA") clearance to market Invisalign in 1998. The Invisalign system is regulated by the FDA as a Class II medical device.

We distribute the vast majority of Invisalign products directly to our customers: the orthodontist and the general practitioner dentist, or GP. Orthodontists and GPs must complete an initial Invisalign training course in order to begin providing the Invisalign treatment solution to their patients. The Invisalign system is sold in North America, Europe, Asia Pacific, Latin America and Japan. We use a distributor model for the sale of our products in parts of the Asia Pacific, Latin American and EMEA (Europe, Middle East and Africa) regions.

Each Invisalign treatment plan is unique to the individual patient. Our Invisalign Full treatment consists of as many aligners as indicated by ClinCheck in order to achieve the doctors' treatment goals. Our Invisalign Express 10 previously Invisalign Express is a dual arch orthodontic treatment for cases that meet certain predetermined clinical criteria and consist of up to ten sets of aligners. Invisalign Express 10 treatment is intended to assist dental professionals to treat a broader range of patients by providing a lower-cost option for adult relapse cases, for minor crowding and spacing, or as a pre-cursor to restorative or cosmetic treatments such as veneers. In April 2010, we replaced Invisalign Express 10 in international markets with the launch of Invisalign Lite. Invisalign Lite offers doctors a new option for less complex orthodontic cases, such as short-term aesthetic cases, relapsed cases and pre-restorative treatments, using up to 14 stages. Invisalign Teen is designed to meet the specific needs of the non-adult comprehensive or teen treatment market particularly younger teenagers aged 11 to 15 years. Invisalign Assist is intended to help newly-trained and lower volume Invisalign GPs accelerate the adoption and frequency of use of Invisalign into their practice. Upon completion of an Invisalign or non-Invisalign treatment, the patient may be prescribed our traditional retainer product, or our Vivera retainers, a clear aligner set designed for ongoing retention. Our goal is to establish Invisalign as the standard method for treating malocclusion ultimately driving increased product adoption by dental professionals by focusing on the four key objectives: driving product innovation and clinical effectiveness, enhancing the customer experience, generating consumer demand and expanding into international markets. Each of these four key objectives is described more fully in *Item 1 —Business—Business Strategy* of our 2010 Annual Report on Form 10-K. As we execute on our business strategy, we will continue to deliver significant evolutions in product features and functionality, as well as customer facing systems.

[Table of Contents](#)

Scanners and CAD/CAM Services

On April 29, 2011, we acquired privately-held Cadent Holdings, Inc, a manufacturer of 3D digital intra-oral scanners and provider of CAD/CAM (computer-aided design and computer-aided manufacturing) restorative models for use by GPs and/or labs and of services for orthodontic digital procedures. We paid approximately \$187 million in exchange for all shares of Cadent.

Intra-oral scanners which are comprised of a mobile computer unit, display screen, a control foot pedal and scanning wand are used by dental professionals to scan a patient's full or partial arch dentition. The iTero software captures the contours of the patient's dentition, gingival structures and the bite, without the use of powder, resulting in an accurate digital orthodontic scan in minutes ready for immediate viewing on the screen. The 3D digital model file can then be used for various procedures and services including, fabrication of physical dental models for use by labs to create restorative units such as veneers, inlays, onlays, crowns, bridges and implant abutments; manufacturing of Invisalign treatment aligners; digital records storage; or orthodontic diagnosis and computer aided placement of traditional braces.

The Cadent family of products includes the iTero and iOC scanning systems, both based on the iTero platform but modified slightly with features to better suit our two distinct channels; the orthodontist (iOC system) and the restorative dentists including the GP, Prosthodontist, Periodontist, and Oral Surgeon (iTero system). In addition, we offer a range of iTero restorative services and OrthoCAD services – OrthoCAD iCast™, OrthoCAD iQ™, and OrthoCAD iRecord™. iTero restorative services including models and dies provide a GP or lab of choice with a fabricated or milled physical dental model used to create restorative units such as veneers, inlays, onlays, crowns, bridges and implant abutments, from single units to full arches. OrthoCAD iCast provides a digital alternative to traditional stone cast models which allows for simplified storage and digital record retrieval. The iCast digital model contains a full ABO (American Board of Orthodontics) base and can be fabricated from a traditional impression or iOC digital impression. OrthoCAD iRecord provides a digital alternative to traditional stone cast models which allows for simplified storage and digital record retrieval when initiated from a digital impression. OrthoCAD iQ uses the 3D digital model as a digital guide for optimal bracket placement and the creation of customized indirect bonding trays. OrthoCAD iQ services are available from traditional PVS impressions and iOC digital impressions.

Upon purchase of a scanner, one of our technical trainers will help install and train the dental professional on the system and services. To start a new digital impression (quadrant, expanded quadrant or full arch), upon completion of the digital prescription, the dental professional places the wand on one side of the patient's mouth as indicated by the system and activates the wand to capture 1-3 teeth per scan, then moves the wand to the next set of teeth. This guided scanning process continues until all of the teeth are captured. During the scanning process the images are merged together. Upon completion of each scanning segment the user can evaluate the digital impression and add data as needed to complete the model. Currently, our iOC customers who wish to submit scans for Invisalign treatment options must first take the initial one day Invisalign training course and then enable the Invisalign option on the system.

On May 16, 2011, we introduced iOC 4.0 which includes new software features such as the eraser tool and edge trim tool, a simplified graphic user interface and application tools including connectivity to the Invisalign Doctor Site, providing orthodontists with expanded features to ensure accurate digital impressions for Invisalign treatment. During the third quarter of 2011, we began a phased rollout of the iTero 4.0 Real Time Modeling (RTM) upgrade. The first phase includes the new 4.0 user interface, RTM scanning protocol and other key software features. These users will also have improved digital workflows for both the Straumann® and Biomet 3i® fixture level implant integrations with new detailed implant prescription options. The second phase will include Invisalign interoperability which will be available by year-end. We distribute scanners and services to our customers: the orthodontist, general dentist, prosthodontist, oral surgeon, periodontist and dental laboratory. In North America, scanners and services are sold through our direct sales force and distributors. In Europe, and other regions outside of North America, we use a distributor model for the sale of our scanner products and services.

In addition to the successful execution of our business strategy, which is set forth in our Annual Report in Form 10-K, there are a number of other factors which may affect our results in 2011 and beyond, both of which are updated below:

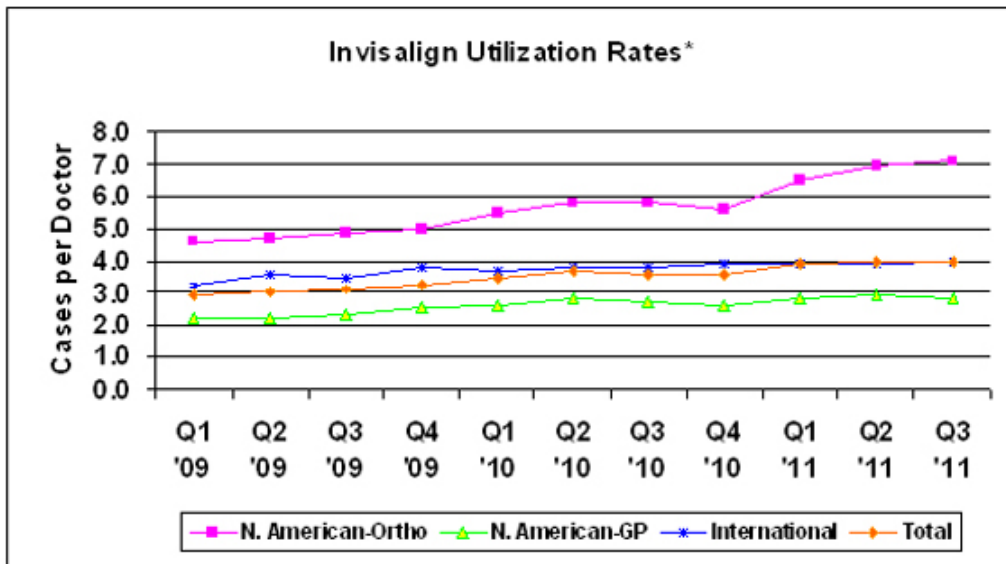
- *Accelerate product and clinical innovation.* In October 2011, we announced Invisalign G4, our next generation of clinical and product innovations designed to help doctors succeed with a wider range of complex treatment and challenging tooth movements. Available to our customers worldwide on November 14, 2011, the Invisalign G4 feature set expands on Invisalign G3 innovations launched in October 2010, which first introduced new aligner and software features that make it easier to use Invisalign when treating patients with Class II and Class III malocclusion. The new and improved SmartForce features in Invisalign G4 are engineered to help doctors achieve even better clinical results for open bite treatments, more predictable movement of upper laterals, and improved root control for canines and central incisors. We believe that, in addition to an increase in the number of patients visiting dental offices throughout 2011 as reported by our customers, and patient interest in higher value procedures, Invisalign G3 was an important contributor to the increased utilization in 2011 by our North American Ortho customer. Additionally, since most of our international customers are Orthodontists, we believe the international launch of Invisalign G3 in May 2011 was important for continued growth both in our existing international markets and to support our expansion in new markets like China. We expect that the innovations in G4 will build on the success we have seen with Invisalign G3 and encourage even greater confidence and adoption in our customers' practices. Although we expect that over the long-term these types of product of clinical innovation will increase adoption, it is difficult to predict the adoption which may vary by region and channel.

[Table of Contents](#)

- *Investments to Increase Manufacturing Capacity.* We expect capital expenditures to continue to increase in 2011 as we invest in our manufacturing facility in Juarez, Mexico to add incremental capacity. In addition, in order to meet the increased demands from expected volumes, in September 2011 we purchased a manufacturing facility in Juarez, Mexico, adding approximately 150,000 square feet of space. This new property is in addition to our existing manufacturing facility in Juarez. We paid approximately \$3.2 million in cash for the property. We plan to transition our aligner fabrication and scanner-related activities into this facility in 2012. The lease on our existing facility expires in July 2013. Our ability to plan, construct and equip this additional manufacturing facility is subject to significant risk and uncertainty, including delays and cost overruns. If the opening of this facility is significantly delayed for any reason, or if demand for our product in 2011 exceeds our current expectations, or if the timing of receipt of case product orders during a given quarter is different from our expectations, we may not be able to fulfill orders timely, which may negatively impact our financial results and overall business.
- *Consolidation of New Jersey Operations.* In September 2011, we announced plans to consolidate our CAD/CAM services and scanner-related activities based in Carlstadt, New Jersey with our existing manufacturing and shared services organizations in order to optimize efficiency, consolidate customer-facing functions, and reduce operating costs. All existing scanner research and development and manufacturing operations will remain in Or Yehuda, Israel. These actions include a phased transition of the following activities over the next few quarters:
 - Consolidation of customer care for CAD/CAM services and scanners into our existing shared services organization in San Jose, Costa Rica;
 - Transition of CAD/CAM services and scanner distribution and repair to our Treat operations in San Jose, Costa Rica and our manufacturing facility in Juarez, Mexico; and
 - Consolidation of accounting and finance functions at our corporate headquarters in San Jose, California; and
 - Closure of the New Jersey facility by the third quarter of 2012.

The consolidation of our New Jersey operations includes a total reduction of 119 full time headcount in Carlstadt, New Jersey. The transition began in the fourth quarter of 2011 and is expected to be completed by the third quarter of 2012. As part of this consolidation, we will incur costs for severance estimated to be approximately \$2.0 million, of which approximately \$1.1 million will be realized in 2011 and \$0.9 million over the first three quarters of 2012. After the New Jersey consolidation is complete, we expect to realize annualized net savings of approximately \$4.0 million per year. See Part II, Item 1A— “Risk Factors” for risks related to the Consolidation of New Jersey Operations”.

- *Number of new Invisalign doctors trained.* We continue to expand our Invisalign customer base through training new doctors. We expect to train approximately 3,100 GPs and orthodontists in North America in 2011, approximately 820 more than we trained in 2010. Internationally, we plan to train approximately 2,600 doctors in 2011, approximately 850 more than we trained in 2010.
- *Invisalign Utilization rates.* Our goal is to establish Invisalign as the treatment of choice for treating malocclusion ultimately driving increased product adoption and frequency of use by dental professionals, or utilization. Our quarterly utilization rates for the previous nine quarters are as follows:



Invisalign Utilization rates = # of cases shipped divided by # of doctors cases were shipped to

Total utilization in the third quarter of 2011 remained unchanged at 4.0 cases per doctor. Utilization among the North American Ortho increased to 7.1 cases per doctor. This increase in utilization reflects continued penetration into the North American Ortho practices due to a number of factors, including the availability of Invisalign G3 designed to make it easier to use Invisalign with more complex and challenging cases and increased growth in teenage cases driven by the Invisalign Teen product in the third quarter, which is the peak of the season for Teen orthodontic case starts.

Although we expect that over the long-term our utilization rates will gradually improve, we expect that period over period comparisons of our utilization rates will fluctuate.

- *Seasonal fluctuations.* Seasonal fluctuations in the number of doctors in their offices and available to take appointments have affected, and are likely to continue to affect our business. Specifically, our customers often take vacation during the summer months and therefore tend to start fewer Invisalign cases, especially our European doctors.

In 2011, sequential case growth from second quarter to the third quarter in the North American Ortho channel was up approximately 5.0% and the North American GP channel was essentially flat. Summer is typically the busiest season for orthodontists with practices that have a high percentage of adolescent and teenage patients. Many parents want to get their teens started in treatment before the start of the school year. We believe that with the availability of Invisalign Teen, we can now actively compete for a share of teenage patient starts during the summer months.

- *Acquisition of Cadent.* On April 29, 2011, we acquired privately-held Cadent, a leading provider of 3D digital scanning solutions for orthodontics and dentistry. Interoperability with Invisalign is available on the OrthoCAD iOC system with the latest software version iOC 4.0. We expect the interoperability with the iTero 4.0 scanning software will be available by the end of 2011. The acquisition of Cadent positions us as a leader in one of the best growth opportunities in dentistry and medical devices today. Over the next five years, we expect that intra-oral scanners will become widely used in dental practices. We believe that the combination of the two companies will help accelerate the use of intra-oral scanning in the dental industry by leveraging Align’s global sales reach, extensive professional and consumer marketing capabilities and base of over 55 thousand ClinCheck software users. Cadent also strengthens our ability to drive adoption of Invisalign by integrating Invisalign treatment more fully with mainstream tools and procedures in doctors’ practices. We may, however, experience difficulties in achieving the anticipated financial or strategic benefits of the acquisition. Information regarding risks associated with the Cadent acquisition may be found in *Item 1A of this Quarterly Report on Form 10-Q under the heading “Risk Factors.”*

[Table of Contents](#)

- *Foreign exchange rates.* Although the U.S. dollar is our reporting currency, a portion of our revenues and profits are generated in foreign currencies. Revenues and profits generated by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period and as a result are affected by changes in exchange rates. We have generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this risk. Therefore, both positive and negative movements in currency exchange rates against the U.S. dollar will continue to affect the reported amount of revenues and profits in our consolidated financial statements.
- *Expansion of international markets.* In October 2010, we announced regulatory approval to market and sell Invisalign in China and began sales during the second quarter of 2011. While we do not expect meaningful revenue from China for several years, our focused strategy to launch Invisalign in key major cities of China provides us a large growth opportunity in the long term. In the fourth quarter of 2011, Invisalign became available in the Middle East, and we also expect to receive regulatory approval in Russia by the end of 2011. We do not anticipate that either of these regions will contribute to our revenues significantly for the next several years.
- *Gross Margin and Operating Expenses.* We expect gross margins in the fourth quarter of 2011 to decrease slightly compared to the third quarter primarily due to higher spending as we expand our manufacturing capacity in Juarez, Mexico, as well as higher training and product costs for Invisalign as we anticipate an increased amount of aligners per case and can address even more complex cases due to the features in G3 and G4. We also expect operating expenses to increase in the fourth quarter compared to the third quarter of 2011, primarily reflecting additional sales headcount.
- *Stock Repurchase.* On October 27, 2011, we announced that our Board of Directors approved a stock repurchase program pursuant to which we may repurchase up to \$150.0 million of common stock. Purchases under the stock repurchase program may be made from time to time in the open market.

Results of Operations

Net revenues and case volume by channel and product:

Invisalign, scanner, and CAD/CAM service revenues by channel and other Invisalign non-case revenues, which represents training, retainer and ancillary products, for the three and nine months ended September 30, 2011 and 2010 are as follows (in millions):

Net revenues	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011	2010	Net Change	% Change	2011	2010	Net Change	% Change
North America:								
Ortho	\$ 42.6	\$31.1	\$ 11.5	37.0%	\$117.5	\$ 88.4	\$ 29.1	32.9%
GP	46.1	36.8	9.3	25.3%	130.4	111.4	19.0	17.1%
Total North America	88.7	67.9	20.8	30.6%	247.9	199.8	48.1	24.1%
International	30.9	23.2	7.7	33.2%	85.2	65.2	20.0	30.7%
Total revenues	119.6	91.1	28.5	31.3%	333.1	265.0	68.1	25.7%
Invisalign Teen deferred revenue release	—	—	—	0.0%	—	14.3	(14.3)	N/A
Invisalign non-case revenues	6.3	4.8	1.5	31.3%	17.7	14.9	2.8	18.8%
Total net revenues	<u>\$125.9</u>	<u>\$95.9</u>	<u>\$ 30.0</u>	<u>31.3%</u>	<u>\$350.8</u>	<u>\$294.2</u>	<u>\$ 56.6</u>	<u>19.2%</u>

Case volume data which represents Invisalign case shipments by channel, for the three and nine months ended September 30, 2011 and 2010 are as follows (in thousands):

Invisalign case volume	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011	2010	Net Change	% Change	2011	2010	Net Change	% Change
North America:								
Ortho	30.1	23.2	6.9	29.7%	85.5	68.4	17.1	25.0%
GP	31.1	26.8	4.3	16.0%	90.1	83.8	6.3	7.5%
Total North American Invisalign	61.2	50.0	11.2	22.4%	175.6	152.2	23.4	15.4%
International Invisalign	18.2	16.2	2.0	12.3%	51.2	45.1	6.1	13.5%
Total Invisalign case volume	<u>79.4</u>	<u>66.2</u>	<u>13.2</u>	<u>19.9%</u>	<u>226.8</u>	<u>197.3</u>	<u>29.5</u>	<u>15.0%</u>

Invisalign, scanner, and CAD/CAM service revenues by product and other Invisalign non-case revenues, which represents training, retainer and ancillary products, for the three and nine months ended September 30, 2011 and 2010 are as follows (in millions):

Net revenues	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011	2010	Net Change	% Change	2011	2010	Net Change	% Change
Invisalign Full	\$ 75.1	\$66.6	\$ 8.5	12.8%	\$222.8	\$199.8	\$ 23.0	11.5%
Invisalign Express/Lite	10.5	8.9	1.6	18.0%	31.7	26.3	5.4	20.5%
Invisalign Teen (1)	15.4	11.3	4.1	36.3%	40.1	42.2	(2.1)	(5.0)%
Invisalign Assist	7.0	4.3	2.7	62.8%	20.4	11.0	9.4	85.5%
Non-case revenues	6.3	4.8	1.5	31.3%	17.7	14.9	2.8	18.8%
Scanners (2)	5.4	—	5.4	N/A	8.1	—	8.1	N/A
CAD/CAM Services (2)	6.2	—	6.2	N/A	10.0	—	10.0	N/A
Total net revenues	<u>\$125.9</u>	<u>\$95.9</u>	<u>\$ 30.0</u>	<u>31.3%</u>	<u>\$350.8</u>	<u>\$294.2</u>	<u>\$ 56.6</u>	<u>19.2%</u>

- (1) The nine months ended September 30, 2010 includes a \$14.3 million release of previously deferred revenue for Invisalign Teen replacement aligners.
- (2) As the acquisition of Cadent closed on April 29, 2011, the nine months ended September 30, 2011 balances for scanners and CAD/CAM services only reflect five months of revenues.

[Table of Contents](#)

Case volume data which represents Invisalign case shipments by product, for the three and nine months ended September 30, 2011 and 2010 are as follows (in thousands):

Invisalign case volume	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011	2010	Net Change	% Change	2011	2010	Net Change	% Change
Invisalign Full	51.4	44.9	6.5	14.5%	150.6	135.7	14.9	11.0%
Invisalign Express/Lite	11.0	9.8	1.2	12.2%	32.8	28.6	4.2	14.7%
Invisalign Teen	11.7	7.6	4.1	53.9%	28.2	21.8	6.4	29.4%
Invisalign Assist	5.3	3.9	1.4	35.9%	15.2	11.2	4.0	35.7%
Total Invisalign case volume	<u>79.4</u>	<u>66.2</u>	<u>13.2</u>	<u>19.9%</u>	<u>226.8</u>	<u>197.3</u>	<u>29.5</u>	<u>15.0%</u>

Total net revenues increased for the three and nine months ended September 30, 2011 as compared to the same period in 2010 primarily as a result of worldwide volume growth across all customer channels as well as the sales of scanners and CAD/CAM services resulting from our acquisition of Cadent, Inc. in April 2011.

North America

North America revenue increased 30.6% for the three months ended September 30, 2011 compared to the same period in 2010 was driven by increases in case volume and the inclusion of scanners and CAD/CAM service revenues, which were partially offset by Invisalign discount and rebate programs.

North America revenue increased 24.1% for the nine months ended September 30, 2011 compared to the same period in 2010, primarily due to higher case volume, and the inclusion of scanner and CAD/CAM services revenues. Additionally for the nine months ended September 30, 2011, we had increased revenue from our Invisalign Assist product primarily due to the shipment of final batches that were previously deferred in 2010. Though case volume for Invisalign Teen increased, Invisalign Teen revenue decreased for the nine month period due to the one-time release of \$14.3 million in the second quarter of 2010 of previously deferred revenue for Invisalign Teen replacement aligners. When we released the deferred revenue, we also established an estimated usage rate for Invisalign Teen replacement aligners, which reduced the deferral rate.

International

International revenue increased 33.2% and 30.7% for the three and nine months ended September 30, 2011 compared to the same periods of 2010 primarily due to the growth in case volumes of 12.3% and 13.5%, respectively and the inclusion of scanner and CAD/CAM service revenues. Additionally, for the three and nine months ended September 30, 2011, we had favorable exchange rates of approximately \$2.8 million and \$5.1 million, respectively.

[Table of Contents](#)

Cost of revenues and gross profit (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Cost of revenues	\$ 33.5	\$ 21.0	\$ 12.5	\$ 85.1	\$ 62.6	\$ 22.5
% of net revenues	26.6%	21.9%		24.3%	21.3%	
Gross profit	\$ 92.4	\$ 74.9	\$ 17.5	\$ 265.7	\$ 231.7	\$ 34.0
Gross margin	73.4%	78.1%		75.7%	78.7%	

Cost of revenues includes salaries for staff involved in the production process, the cost of materials, packaging, shipping costs, trainers, depreciation on capital equipment used in the production process, amortization of identified intangibles and stock-based compensation expense.

Gross margin decreased for the three and nine months ended September 30, 2011 compared to the same period in 2010 primarily due to the addition of our scanner and services products related to the acquisition of Cadent which carries a lower margin than our Invisalign products. We also incurred amortization costs related to the acquired technology from Cadent of approximately \$0.3 million and \$0.5 million during the three and nine months ended September 30, 2011, respectively.

Additionally, we incurred approximately \$0.2 million of severance and benefit costs in the third quarter of 2011 related to the consolidation of our New Jersey operations, which is expected to continue through the third quarter of 2012. After the New Jersey consolidation is completed, we expect to realize annualized net savings of approximately \$4.0 million per year.

Gross margin for the nine months ended September 30, 2010 included the final amortization of the Ormco royalties of \$0.8 million during the first quarter of 2010.

Sales and marketing (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Sales and marketing	\$ 34.7	\$ 26.9	\$ 7.8	\$ 106.1	\$ 83.8	\$ 22.3
% of net revenues	27.5%	28.0%		30.2%	28.5%	

Sales and marketing expense includes sales force compensation (including travel-related costs), marketing personnel-related costs, media and advertising, clinical education, product marketing and stock-based compensation expense.

Our sales and marketing expense for the three months ended September 30, 2011 increased compared to the same period in 2010 primarily due to higher payroll and payroll-related costs of approximately \$4.5 million resulting from additional international headcount as well as the inclusion of Cadent sales and marketing personnel. We also incurred higher marketing, advertising, and travel costs of approximately \$1.5 million related to our Invisalign products.

Additionally, clinical education costs increased approximately \$1.4 million during the third quarter of 2011 as compared to the same period in 2010 as the majority of these costs were included in gross margin in 2010 as part of the Proficiency Program which was eliminated in October 2010.

Our sales and marketing expense for the nine months ended September 30, 2011 increased compared to the same period in 2010 primarily due to higher payroll and payroll-related costs of approximately \$10.4 million resulting from additional international headcount as well as the inclusion of Cadent sales and marketing personnel. We incurred higher marketing, travel, and advertising costs of approximately \$5.7 million primarily due to targeted TV advertising and the International launch of Invisalign G3. Additionally, increases in clinical education costs of approximately \$3.7 million during the first three quarters of 2011 were primarily due to the Invisalign Summit in the second quarter of 2011 which, in 2010, was held in the fourth quarter.

[Table of Contents](#)

General and administrative (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
General and administrative	\$ 21.6	\$ 16.2	\$ 5.4	\$ 66.7	\$ 46.2	\$ 20.5
% of net revenues	17.2%	16.9%		19.0%	15.7%	

General and administrative expense includes salaries for administrative personnel, outside consulting services, legal expenses and stock-based compensation expense.

General and administrative expense increased for the three months ended September 30, 2011 compared to the same period in 2010 primarily due to higher payroll and payroll-related costs of approximately \$2.7 million resulting from compensation adjustments and an increase in headcount due to the Cadent acquisition. We also incurred higher consulting, accounting, legal, and travel costs of approximately \$2.3 million primarily related to the acquisition and integration of Cadent into our business operations.

General and administrative expense increased for the nine months ended September 30, 2011 compared to the same period in 2010 primarily due higher consulting, accounting, legal, and travel costs of approximately \$11.3 million mostly related to the integration of Cadent into our business operations. We also incurred higher payroll and payroll-related costs of \$9.1 million resulting from compensation adjustments and an increase in headcount due to the Cadent acquisition.

Research and development (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Research and development	\$ 8.9	\$ 6.6	\$ 2.3	\$ 27.6	\$ 19.1	\$ 8.5
% of net revenues	7.1%	6.9%		7.9%	6.5%	

Research and development expense includes the personnel-related costs and outside consulting expenses associated with the research and development of new products and enhancements to existing products, conducting clinical and post-marketing trials and stock-based compensation expense.

Research and development expense increased during the three months ended September 30, 2011 compared to the same period in 2010 primarily due to higher payroll related costs of approximately \$1.8 million resulting from an increase in headcount due to the Cadent acquisition. We also incurred higher travel and outside service costs of approximately \$0.4 million primarily related to the integration of Cadent into our business operations.

Research and development expense increased during the nine months ended September 30, 2011 compared to the same period in 2010 primarily due to higher payroll related costs of approximately \$4.6 million resulting primarily from an increase in headcount due to the Cadent acquisition. In addition, we paid \$2.0 million related the Cadent Joint Development agreement that we entered into in January 2011 before the completion of our acquisition in April 2011. We also incurred higher travel and outside service costs of approximately \$0.8 million.

Amortization of acquired intangible assets (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Amortization of acquired intangible assets	\$ 0.9	\$ —	\$ 0.9	\$ 1.5	\$ —	\$ 1.5
% of net revenues	0.7%			0.4%		

Amortization of acquired intangibles related to operating expense for the three and nine month ended September 30, 2011 was approximately \$0.9 million and \$1.5 million, respectively, which were related to trademarks and customer relationships that were acquired as part of the Cadent acquisition during the second quarter of 2011.

[Table of Contents](#)

Litigation settlement (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Litigation settlement	\$ —	\$ 3.3	\$ (3.3)	\$ —	\$ 3.3	\$ (3.3)
% of net revenues	0.0%	3.4%		0.0%	1.1%	

On October 19, 2010 we entered into a memorandum of understanding to resolve a complaint filed by Dr. Leiszler. As a result we recorded a litigation settlement charge of \$3.3 million in the third quarter of 2010 for settlement costs. There were no litigation settlement charges for the three and nine months ended September 30, 2011.

Insurance settlement (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Insurance settlement	\$ —	\$ —	\$ —	\$ —	\$ (8.7)	\$ 8.7
% of net revenues	0.0%	0.0%		0.0%	2.9%	

In June 2010, we received an \$8.7 million insurance settlement over a disputed coverage under our general liability umbrella that was not previously reimbursed by our insurer related to the OrthoClear litigation. There were no insurance settlements during the three and nine months ended September 30, 2011.

Interest and other income (expense), net (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Interest income	\$ 0.1	\$ 0.1	\$ —	\$ 0.4	\$ 0.4	\$ —
Other income (expense), net	(0.2)	(0.2)	—	(0.7)	(0.9)	0.2
Total interest income and other income (expense), net	<u>\$ (0.1)</u>	<u>\$ (0.1)</u>	<u>\$ —</u>	<u>\$ (0.3)</u>	<u>\$ (0.5)</u>	<u>\$ 0.2</u>

Interest and other income (expense), net, includes interest income earned on cash and investment balances, foreign currency translation gains and losses, and other miscellaneous charges.

Interest income for the three and nine months ended September 30, 2011 was comparable to the same period in 2010.

Other expense, net for the three and nine months ended September 30, 2011 was comparable to the same period in 2010.

Income tax (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Provision for income taxes	\$ 6.9	\$ 5.0	\$ 1.9	\$ 17.3	\$ 23.1	\$ (5.8)

We recorded an income tax provision of \$6.9 million and \$5.0 million for the three months ended September 30, 2011 and 2010, respectively, representing effective tax rates of 26.5% and 23.1%.

We recorded an income tax provision of \$17.3 million and \$23.1 million for the nine months ended September 30, 2011 and 2010, respectively, representing effective tax rates of 27.2% and 26.5%.

[Table of Contents](#)

Our effective tax rate for the remainder of 2011 may fluctuate based upon our operating results for each taxable jurisdiction in which we operate and the amount of statutory tax that we incur in each jurisdiction.

We exercised significant judgment in regards to estimates of future market growth, forecasted earnings and projected taxable income, in determining the provision for income taxes, and for purposes of assessing our ability to utilize any future benefit from deferred tax assets. As of September 30, 2011, we have recorded a valuation allowance of approximately \$20.9 million related to capital loss and foreign loss carryforwards because we cannot forecast sufficient future capital gains or foreign source income to realize these deferred tax assets (DTAs). Of the \$20.9 million of valuation allowance, \$14.8 million relates to Cadent's foreign DTAs. These net operating loss and capital loss carryforwards will result in an income tax benefit if and when we conclude it is more likely than not that the related DTAs will be realized.

Liquidity and Capital Resources

We fund our operations from product sales and the proceeds from the sale of our common stock. As of September 30, 2011 and December 31, 2010, we had the following cash and cash equivalents, and short-term and long-term investments (in thousands):

	September 30 , 2011	December 31, 2010
Cash and cash equivalents	\$ 202,229	\$ 294,664
Marketable securities, short-term	8,185	8,615
Marketable securities, long-term	677	9,089
Total	<u>\$ 211,091</u>	<u>\$ 312,368</u>

Cash flows (in thousands):

	Nine Months Ended September 30,	
	2011	2010
Net cash flow provided by (used in) :		
Operating activities	\$ 88,479	\$ 97,004
Investing activities	(199,297)	(8,556)
Financing activities	18,401	10,018
Effects of exchange rate changes on cash and cash equivalents	(18)	(29)
Net increase (decrease) in cash and cash equivalents	<u>\$ (92,435)</u>	<u>\$ 98,437</u>

As of September 30, 2011, we had \$211.1 million of cash, cash equivalents, and marketable securities. Cash equivalents and marketable securities are comprised of money market funds and highly liquid debt instruments which include corporate bonds, foreign bonds, and agency bonds.

As of September 30, 2011, approximately \$49.2 million of the \$119.8 million of cash was held by our foreign subsidiaries. U.S. taxes have not been provided on the undistributed earnings from non U.S. operations as such earnings are intended to be reinvested permanently outside the U.S.

Operating Activities

For the nine months ended September, 2011, cash flows from operations of approximately \$88.5 million resulted primarily from our net profit of approximately \$46.3 million adjusted for the following:

Non-cash activities

- Depreciation, amortization, and the amortization of intangibles were approximately \$13.1 million including the impact of the acquired assets and intangible assets resulting from the Cadent acquisition.
- Stock-based compensation expense was approximately \$14.2 million related to equity incentive compensation granted to employees.
- Deferred taxes were approximately \$13.5 million primarily due to the utilization of our deferred tax assets.
- Other non-cash activities including the benefit from doubtful accounts and the gain on the retirement/disposal of our fixed assets of approximately \$0.2 million.

Changes in working capital

- Accounts receivable increased by approximately \$16.1 million due to the increase in revenues during the nine months ended September 30, 2011, reducing our cash inflow from operating activities.
- Deferred revenues increased by approximately \$10.8 million primarily due to higher sales during the first three quarters of 2011, increasing our cash inflow from operating activities.
- Other working capital comprising of inventories, prepaid expenses and other assets, accounts payable, and accrued and other long-term liabilities resulted in a net decrease of approximately \$6.8 million, increasing our cash inflow from operations.

For the nine months period ended September 30, 2010, cash flows from operations of approximately \$97.0 million resulted primarily from our net profit of approximately \$64.3 million adjusted for the following:

Non-cash activities

- Deferred taxes were approximately \$17.6 million primarily due to the utilization of our deferred tax assets.
- Stock-based compensation expense was \$12.1 million related to equity incentive compensation granted to employees.
- Net other non-cash activities including depreciation and amortization, benefit from doubtful accounts, amortization of prepaid royalties, and loss on the retirement/disposal of our fixed assets of \$11.7 million.

Changes in working capital

- Accounts receivable increased by approximately \$10.0 million due to the increase in revenues during the nine months ended September 30, 2010, reducing our cash inflow from operating activities.
- Deferred revenue decreased by \$1.7 million primarily due to the release of previously deferred revenue for Invisalign Teen replacement aligners in June 2010 partially offset by higher sales of Invisalign products that carry higher deferral rates, reducing our cash inflow from operating activities.
- Other working capital comprised of inventories, prepaid expenses and other assets, accounts payable, and accrued and other long-term liabilities increased \$2.8 million, increasing our cash inflow from operations.

Investing Activities

Net cash used in investing activities was \$199.3 million for the nine months ended September 30, 2011 primarily consisted of our cash paid for the acquisition of Cadent of approximately \$187.0 million and approximately \$21.1 million of property, plant, and equipment purchases. These costs were partially offset by \$8.8 million of maturities of our marketable securities.

Net cash used in investing activities was \$8.6 million for the nine month ended September 30, 2010 primarily consisting of \$13.3 million for purchases of property, equipment and other assets, which were partially offset by net maturities of marketable securities of \$4.7 million.

Although we believe our current investment portfolio has little risk of impairment, we cannot predict future market conditions or market liquidity and can provide no assurance that our investment portfolio will remain unimpaired.

Financing Activities

Net cash provided by financing activities was \$18.4 million for the nine months ended September 30, 2011 primarily resulting in \$20.0 million in proceeds from the issuance of our common stock, which were partially offset by \$1.5 million of taxes paid on the vesting of restricted stock units related to our employee stock plan.

Net cash provided by financing activities was \$10.0 million for the nine months ended September 30, 2010 primarily resulting from \$10.9 million in proceeds from the issuance of our common stock, which were partially offset by \$0.9 million for taxes paid on the vesting of our restricted stock units related to our employee stock plan.

Stock Repurchase

On October 27, 2011, we announced that our Board of Directors approved a stock repurchase program pursuant to which we may repurchase up to \$150.0 million of common stock. Purchases under the stock repurchase program may be made from time to time in the open market.

Contractual Obligations

We believe that our current cash and cash equivalents combined with our existing borrowing capacity will be sufficient to fund our operations for at least the next 12 months. If we are unable to generate adequate operating cash flows, we may need to seek additional sources of capital through equity or debt financing, collaborative or other arrangements with other companies, bank financing and other sources in order to realize our objectives and to continue our operations. There can be no assurance that we will be able to obtain additional debt or equity financing on terms acceptable to us, or at all. If adequate funds are not available, we may need to make business decisions that could adversely affect our operating results such as modifications to our pricing policy, business structure or operations. Accordingly, the failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on our business, results of operations and financial condition.

Critical Accounting Policies

Management's discussion and analysis of our financial condition and results of operations is based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of condensed consolidated financial statements requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures at the date of the financial statements. We evaluate our estimates on an on-going basis, including those related to revenue recognition, accounts receivable, intangible assets, legal contingencies and income taxes. We use authoritative pronouncements, historical experience and other assumptions as the basis for making estimates. Actual results could differ from those estimates.

We believe the following critical accounting policies reflect our most significant estimates, judgments and assumptions used in the preparation of our consolidated financial statements. These critical accounting policies and related disclosures appear in our Annual Report on Form 10-K, with the exception of goodwill, for the year ended December 31, 2010.

- Revenue recognition;
- Stock-based compensation expense;
- Long-lived assets, including finite lived purchased intangible assets;
- Deferred tax valuation allowance;
- Goodwill.

Revenue recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. Revenues are recognized from product sales, net of discounts and rebates. Service revenues related to the training of dental professionals and staff on the Invisalign treatment process is recorded when the services are completed.

Beginning January 1, 2011, we adopted revenue recognition guidance under Accounting Standards Update ("ASU") 2009-13, "Revenue Recognition: Multiple-Deliverable Revenue Arrangements," on a prospective basis for new or materially modified arrangements. This update amends the guidance on revenue arrangements with multiple deliverables and eliminates the use of the residual method. A deliverable constitutes a separate unit of accounting when it has stand-alone value, even if the deliverable is not sold separately.

[Table of Contents](#)

Invisalign

We enter into arrangements (“treatment plans”) that involve multiple future product deliverables. For example, included in the price of Invisalign Full, Invisalign Teen and Invisalign Assist, we offer optional case refinement, which is a finishing tool used to adjust a patient’s teeth to the desired final position. Case refinement may be elected by the dental professional at any time during treatment however it is generally ordered in the last stages of orthodontic treatment. Invisalign Teen also includes six optional replacement aligners in the price of the product and may be ordered at any time throughout treatment.

We use vendor specific objective evidence (“VSOE”) adjusted by estimated usage rates for case refinements and replacement aligners to determine the respective estimated selling price (“ESP”). In the absence of VSOE, we determine our best estimate of selling price, as if it is sold on a stand-alone basis, and take into consideration our pricing and discounting strategies, market conditions, as well as historical price. We regularly review our VSOE and ESP and maintain internal controls over the establishment and update of these estimates.

We determined that our treatment plans are comprised of four possible deliverables that represent separate units of accounting: single-batched aligners, multiple-batched aligners, case refinement and replacement aligners. We allocate revenue for each treatment plan based on each unit’s relative selling price and recognize the revenue upon the delivery of each unit in the treatment plan.

The adoption of ASU 2009-13 did not have a material impact on our financial statements and is not expected to have a material impact in future periods. Although the financial statement impact was not material, the adoption of ASU 2009-13 did impact our accounting for Invisalign Assist with the progress tracking feature, in which aligners are shipped to the dental professional every nine stages (“a batch”). We determined that each batch has stand-alone value and therefore represents a separate unit of accounting. The estimated selling price for Invisalign Assist with progress tracking is allocated according to the estimated number of batches.

Prior to January 1, 2011, we used VSOE as fair value to allocate revenue to the case refinement and replacement aligner deliverables. We deferred the fair value of case refinement and replacement aligner deliverables based on a breakage factor and recognized the residual revenue upon initial batch shipment. The deferred revenue was subsequently recognized as the refinement and replacement aligners were shipped. For Invisalign Assist with the progress tracking feature, we did not have independent evidence of fair value for the separate batches of aligners, so all batches of aligners were considered a single unit of accounting prior to January 1, 2011. For these treatment plans, revenue was deferred upon the first batched shipment and recognized upon the final batched shipment.

We estimate and record a provision for amounts of estimated losses on sales, if any, in the period such sales occur. We have not recorded any estimated losses for the periods presented. Provisions for discounts and rebates to customers are provided for in the same period that the related product sales are recorded based upon historical discounts and rebates.

Scanners and CAD/CAM Services

We recognize revenues from the sales of iTero and iOC scanners and CAD/CAM services. CAD/CAM services include scanning services, extended warranty for the scanners, a range of iTero restorative services and OrthoCAD services such as OrthoCAD iCast, OrthoCAD iQ, and OrthoCAD iRecord. We sell scanners and services through both our direct sales force and distributors. The scanner sales price includes one year of warranty, and for additional fees, the customer may select an unlimited scanning service agreement over a fixed period of time or extended warranty periods. When scanners are sold with either an unlimited scanning service agreement and/or extended warranty, we allocate revenue based on each element’s relative selling price. We estimate the selling price of each element, as if it is sold on a stand-alone basis, taking into consideration historical prices as well as our pricing and discounting strategies. We will continue to review our estimates as we continue to integrate Cadent into our business.

Revenues for unlimited scanning service agreements and extended warranty are recognized ratably over the service periods. If a customer selects a pay per use basis for scanning service fees, the revenue is recognized as the service is provided.

For direct sales and sales to certain distributors, scanner revenue is recognized once the scanner has been installed and on-site training is completed. For other distributors who provide training to the customer, we recognize scanner revenue when the scanner is shipped to the distributor assuming all of the other revenue recognition criteria have been met.

Revenues from iTero restorative services and OrthoCAD services are recognized as the services are provided.

Goodwill

Goodwill represents the excess of the purchase price paid over the fair value of tangible and identifiable intangible net assets acquired in business combinations. Goodwill is reviewed annually in the fourth quarter and whenever events or circumstances occur which indicate that goodwill might be impaired.

[Table of Contents](#)

Recent Accounting Pronouncements

See Note 1 “Summary of Significant Accounting Policies” of the Notes to Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting us, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated herein by reference. Our exposure to market risk has not changed materially since December 31, 2010.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this

Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of September 30, 2011 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

Changes in internal control over financial reporting.

Except as described below, there were no changes in our internal control over financial reporting during the third quarter of fiscal year 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. On April 29, 2011, we completed the acquisition of Cadent Holdings, Inc. Refer to Note 4 of Notes to Condensed Consolidated Financial Statements for additional information regarding this event. We plan to exclude this acquisition from the scope of our annual report on internal controls over financial reporting for the period ended December 31, 2011, as permitted by Securities and Exchange Commission guidance. We are in the process of integrating Cadent into our overall internal control over financial reporting process. This process may result in additions or changes to our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Securities Litigation

In August 2009, Plaintiff Charles Wozniak filed a lawsuit against us and our Chief Executive Officer and President, Thomas M. Prescott (“Mr. Prescott”), in District Court for the Northern District of California on behalf of a claimed class consisting of all persons or entities who purchased our common stock between January 30, 2007 and October 24, 2007. The complaint alleges that Align and Mr. Prescott violated Section 10(b) of the Securities Exchange Act of 1934 and that Mr. Prescott violated Section 20(a) of the Securities Exchange Act of 1934. Specifically, the complaint alleges that during the class period we failed to disclose that we had shifted the focus of our sales force to clearing backlog, causing a significant decrease in the number of new case starts. On November 13, 2009, the Court appointed Plumbers and Pipefitters National Pension Fund as lead plaintiff. The lead plaintiff filed an amended complaint on January 29, 2010. The amended complaint alleges that we and Mr. Prescott issued a number of purportedly false and misleading statements throughout the class period concerning the Patients First program, our production capacity, a purported backlog, and the focus of our sales force. On March 26, 2010, we and Mr. Prescott filed a motion to dismiss the amended complaint. The motion was heard by the Court on July 9, 2010 and on June 8, 2011, the Court granted our motion to dismiss with leave to amend. On July 22, 2011, the lead plaintiff filed a second amended complaint adding allegations that Align and Mr. Prescott issued a number of purportedly false and misleading statements throughout the class period concerning our ClinAdvisor product. Align and Mr. Prescott moved to dismiss the amended complaint. The hearing on that motion is currently scheduled for January 13, 2012. We believe the lawsuit to be without merit and intend to vigorously defend ourselves.

ITEM 1A. RISK FACTORS

We depend on the sale of the Invisalign system for the vast majority of our revenues, and any decline in sales of Invisalign for any reason, a continued weakness in general economic conditions, or a decline in average selling prices would adversely affect revenues, gross margin and net profits.

We expect that revenues from the sale of the Invisalign system will continue to account for the vast majority of our total revenues for the foreseeable future. Continued and widespread market acceptance of Invisalign by orthodontists, GPs and consumers is critical to our future success. If orthodontists and GPs experience a reduction in consumer demand for orthodontic services, if consumers prove unwilling to adopt Invisalign as rapidly as we anticipate or in the volume that we anticipate, if orthodontists or GPs choose to use a competitive product rather than Invisalign or if the average selling price of our product declines, our operating results would be harmed.

Demand for our products may not increase as rapidly as we anticipate due to a variety of factors including a continued weakness in general economic conditions.

Consumer spending habits are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, gas prices, consumer confidence and consumer perception of economic conditions. A general slowdown in the United States economy and certain international economies or an uncertain economic outlook would adversely affect consumer spending habits which may, among other things, result in a decrease in the number of overall orthodontic case starts, reduced the patient traffic in dentists' offices, reduction in consumer spending on higher value procedures or a reduction in the demand for dental services generally, each of which would have a material adverse effect on our sales and operating results. Continued weakness in the global economy results in a challenging environment for selling dental technologies and dentists may postpone investments in capital equipment, such as intra-oral scanners. In addition, Invisalign, which currently accounts for the vast majority of our revenues, represents a significant change from traditional orthodontic treatment, and customers and consumers may be reluctant to accept it or may not find it preferable to traditional treatment. We have generally received positive feedback from orthodontists, GPs and consumers regarding Invisalign as both an alternative to braces and as a clinical method for treatment of malocclusion, but a number of dental professionals believe that Invisalign is appropriate for only a limited percentage of their patients. Increased market acceptance of all of our products will depend in part upon the recommendations of dental professionals, as well as other factors including effectiveness, safety, ease of use, reliability, aesthetics, and price compared to competing products.

The frequency of use of the Invisalign system by orthodontists or GPs may not increase at the rate that we anticipate or at all.

One of our key objectives is to continue to increase utilization, or the adoption and frequency of use, of the Invisalign system by new and existing customers. If utilization of Invisalign by our existing and newly trained orthodontists or GPs does not occur or does not occur as quickly as we anticipate, our operating results could be harmed.

We may experience declines in average selling prices of our products.

In response to challenges in our business, including increased competition, we have in the past reduced the list price of our products. We also provide volume based discount programs to our doctors. In addition, we sell a number of products at different list prices. If we introduce any price reductions, or consumer rebate programs, expand our discount programs in the future, if participation in these programs increases, if our product mix shifts to lower priced products or products that have a higher percentage of deferred revenue, or if sales by our distributors grows at a faster pace than our direct sales, our average selling price would be adversely affected and our revenues, gross margin and net profits (losses) may be reduced. Furthermore, although the U.S. dollar is our reporting currency, a portion of our revenues and profits are generated in foreign currencies. Revenues and profits generated by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period and are affected by changes in exchange rates. As a result, negative movements in currency exchange rates against the U.S. dollar will adversely affect our average selling price and consequently the amount of revenues and profits in our consolidated financial statements.

As we continue to grow, we are subject to growth related risks, including risks related to capacity constraints at our existing facilities.

We are subject to growth-related risks, including capacity constraints and pressure on our internal systems and personnel. In order to manage current operations and future growth effectively, we will need to continue to implement and improve our operational, financial and management information systems and to hire, train, motivate, manage and retain employees. We may be unable to manage such growth effectively. Any such failure could have a material adverse impact on our business, operations and prospects. In addition, in order to meet the demands from expected volumes and continued international expansion, we intend to open a new manufacturing facility in Juarez, Mexico by the end of 2011. We plan to transition aligner fabrication from our current facilities into this new facility during 2012. Our ability to plan, construct and equip additional manufacturing facilities is subject to significant risk and uncertainty, including risks inherent in the establishment of a new manufacturing facility, such as:

[Table of Contents](#)

- Hiring and retaining employees;
- Delays and cost overruns as a result of a number of factors, any of which may be out of our control, such as:
 - Labor shortages and disputes;
 - Delays in government approvals;
 - Delays in the customization, delivery and installation of equipment; and
 - Production start-up problems; and
- Implementing, integrating and improving operational and financial systems, procedures and controls, including our computer systems.

If the opening of this facility is significantly delayed or demand for our product exceeds our current expectations, we may not be able to fulfill orders timely, which may negatively impact our financial results and overall business. Because we cannot always immediately adapt our production capacity and related cost structures to changing market conditions, our manufacturing capacity may at times exceed or fall short of our production requirements. Any or all of these problems could result in the loss of customers, provide an opportunity for competing products to gain market acceptance and otherwise harm our business and financial results.

We may experience unexpected problems and expenses associated with the consolidation of our New Jersey Operations with Existing Manufacturing and Shared Services Organizations.

In September 2011, we announced plans to consolidate our CAD/CAM services and scanner-related activities based in Carlstadt, New Jersey with our existing manufacturing and shared services organizations. We expect this consolidation to be completed by the third quarter of 2012. This consolidation is accompanied by a number of risks and uncertainties that may affect our results of operations and statement of cash flows, including:

- failure to successfully coordinate and phase the relocation of these CAD/CAM services and scanner customer care may cause our customers to experience decrease in service levels;
- the relocation may absorb significant management and key employee attention and resources that would otherwise be available for the ongoing development of our business;
- failure to retain key employees who possess specific knowledge or expertise and who we are depending upon for the timely and successful transition; and
- difficulties hiring employees in Costa Rica and Mexico with the necessary skills to perform these functions.

If any of these risks materialize in the future, our operating results, statement of operations and cash flows may be adversely affected.

We may never achieve the anticipated benefits from our recent acquisition of Cadent Holdings, Inc. which may have an adverse effect on our business.

We acquired Cadent Holdings, Inc. in April 2011. We acquired Cadent for their people, their technology and their existing revenue streams such as OrthoCAD iQ™ and iCast™ in addition to their intra-oral scanning technology. This acquisition is expected to strengthen our ability to drive adoption of Invisalign by integrating Invisalign treatment more fully with mainstream tools and procedures in doctors' practices. In addition, we believe that the combination of the two companies will help accelerate the use of intra-oral scanning in the dental industry by leveraging Align's global sales reach, extensive professional and consumer marketing capabilities and large customer base. We may, however, experience difficulties in achieving the anticipated financial or strategic benefits of this acquisition. Potential risks include:

- slower adoption or lack of acceptance for intra-oral scanning products in general or our chairside features,
- our inability to increase utilization by integrating Invisalign treatment more fully with intra-oral scanners,
- difficulty in integrating the technology, operations, internal accounting controls or work force of the acquired business with our existing business,
- diversion of management resources and focus from ongoing business matters,
- retention of key employees following the acquisition,
- delay in expected timing of interoperability of Cadent's iTero™ scanners with the Invisalign system

[Table of Contents](#)

- aggressive competition from other manufacturers of intraoral scanners could lengthen the customer evaluation process and result in price reductions and loss of sales,
- difficulty dealing with tax, employment, logistics, and other related issues unique to international operations in Israel,
- possible impairment of relationships with employees and customers as a result of the integration of the Cadent and Align businesses,
- possible inconsistencies in standards, controls, procedures and policies among Cadent and Align, which may make it more difficult to implement and harmonize company-wide financial reporting, accounting, billing, information technology and other systems;
- a large portion of Cadent's operations are located in Israel, accordingly, any increase in hostilities in the Middle East involving Israel may cause interruption or suspension of business operations without warning, and
- we may experience negative impact on our results of operations and financial condition from acquisition-related charges, amortization of intangible assets and/or asset impairment charges.

If we cannot successfully integrate the acquired business with our existing business, our results of operations and financial condition could be adversely affected.

If we fail to sustain or increase profitability or revenue growth in future periods, the market price for our common stock may decline.

If we are to sustain or increase profitability in future periods, we will need to continue to increase our revenues, while controlling our expenses. Because our business is evolving, it is difficult to predict our future operating results or levels of growth, and we have in the past not been and may in the future not be able to sustain our historical growth rates. If we do not increase profitability or revenue growth or otherwise meet the expectations of securities analysts or investors, the market price of our common stock will likely decline.

Our financial results have fluctuated in the past and may fluctuate in the future which may cause volatility in our stock price.

Our operating results have fluctuated in the past and we expect our future quarterly and annual operating results to fluctuate as we focus on increasing doctor and consumer demand for our products. These fluctuations could cause our stock price to decline. Some of the factors that could cause our operating results to fluctuate include:

- limited visibility into and difficulty predicting the level of activity in our customers' practices from quarter to quarter;
- weakness in consumer spending as a result of the slowdown in the United States economy and global economies;
- changes in the timing of receipt of case product orders during a given quarter which, given our cycle time and the delay between case receipts and case shipments, could have an impact on which quarter revenue can be recognized;
- fluctuations in currency exchange rates against the U.S. dollar;
- changes in product mix;
- our inability to predict from period to period the number of trainers or the availability of doctors required to complete scanner installations, which may impact the timing of when revenue is recognized.
- if participation in our customer rebate program increases our average selling price will be adversely affected;
- seasonal fluctuations in the number of doctors in their offices and their availability to take appointments;
- success of or changes to our marketing programs from quarter to quarter;
- our reliance on our contract manufacturers for the production of sub-assemblies for our intra-oral scanners;
- timing of industry tradeshow;
- changes in relationships with our distributors;
- changes in the timing of when revenue is recognized, including as a result of the introduction of new products or promotions or as a result of changes to critical accounting estimates or new accounting pronouncements;
- changes to our effective tax rate;
- unanticipated delays in production caused by insufficient capacity;
- any disruptions in the manufacturing process, including unexpected turnover in the labor force or the introduction of new production processes, power outages or natural or other disasters beyond our control;
- the development and marketing of directly competitive products by existing and new competitors;

Table of Contents

- aggressive price competition from competitors;
- costs and expenditures in connection with litigation;
- the timing of new product introductions by us and our competitors;
- disruptions to our business due to political, economic or other social instability, including the impact of an epidemic any of which results in changes in consumer spending habits, consumers unable or unwilling to visit the orthodontist or general practitioners office, as well as any impact on workforce absenteeism;
- inaccurate forecasting of revenues, production and other operating costs; and
- investments in research and development to develop new products and enhancements.

To respond to these and other factors, we may need to make business decisions that could adversely affect our operating results such as modifications to our pricing policy, business structure or operations. Most of our expenses, such as employee compensation and lease payment obligations, are relatively fixed in the short term. Moreover, our expense levels are based, in part, on our expectations regarding future revenue levels. As a result, if our revenues for a particular period fall below our expectations, whether caused by changes in consumer spending, consumer preferences, weakness in the U.S. or global economies, changes in customer behavior related to advertising and prescribing our product, or other factors, we may be unable to adjust spending quickly enough to offset any shortfall in revenues. Due to these and other factors, we believe that quarter-to-quarter comparisons of our operating results may not be meaningful. You should not rely on our results for any one quarter as an indication of our future performance.

Our future success may depend on our ability to develop, successfully introduce and achieve market acceptance of new products.

Our future success may depend on our ability to develop, manufacture, market, and obtain regulatory approval or clearance of new products. There can be no assurance that we will be able to successfully develop, sell and achieve market acceptance of these and other new products and applications and enhanced versions of our existing product or software. The extent of, and rate at which, market acceptance and penetration are achieved by future products is a function of many variables, which include, among other things, our ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- include functionality and features that address customer requirements;
- ensure compatibility of our computer operating systems and hardware configurations with those of our customers;
- allocate our research and development funding to products with higher growth prospects;
- anticipate and respond to our competitors' development of new products and technological innovations;
- differentiate our offerings from our competitors' offerings;
- innovate and develop new technologies and applications;
- the availability of third-party reimbursement of procedures using our products;
- obtain adequate intellectual property rights; and
- encourage customers to adopt new technologies.

If we fail to accurately predict customer needs and preferences or fail to produce viable technologies, we may invest heavily in research and development of products that do not lead to significant revenue. Even if we successfully innovate and develop new products and produce enhancements, we may incur substantial costs in doing so, and our profitability may suffer. In addition, even if our new products are successfully introduced, it is unlikely that they will rapidly gain market share and acceptance primarily due to the relatively long period of time it takes to successfully treat a patient. Since it takes approximately 12 to 24 months to treat a patient, our customers may be unwilling to rapidly adopt our new products until they successfully complete at least one case or until more historical clinical results are available.

Our ability to market and sell new products may also be subject to government regulation, including approval or clearance by the United States Food and Drug Administration ("FDA"), and foreign government agencies. Any failure in our ability to successfully develop and introduce or achieve market acceptance of our new products or enhanced versions of existing products could have a material adverse effect on our operating results and could cause our revenues to decline.

A disruption in the operations of our primary freight carrier or higher shipping costs could cause a decline in our revenues or a reduction in our earnings.

We are dependent on commercial freight carriers, primarily UPS, to deliver our products to our customers. If the operations of these carriers are disrupted for any reason, we may be unable to deliver our products to our customers on a timely basis. If we cannot deliver our products in an efficient and timely manner, our customers may reduce their orders from us and our revenues and operating profits could materially decline. In a rising fuel cost environment, our freight costs will increase. If freight costs materially increase and we are unable to pass that increase along to our customers for any reason or otherwise offset such increases in our cost of revenues, our gross margin and financial results could be adversely affected.

We are dependent on our international operations, which exposes us to foreign operational, political and other risks that may harm our business.

Our key production steps are performed in operations located outside of the U.S. At our facility in Costa Rica, technicians use a sophisticated, internally developed computer-modeling program to prepare digital treatment plans, which are then transmitted electronically to Juarez, Mexico. These digital files form the basis of the ClinCheck treatment plan and are used to manufacture aligner molds. Our order acquisition, aligner fabrication and shipping operations are conducted in Juarez, Mexico. In addition to the research and development efforts conducted in our San Jose, California facility, we also carry out research and development at locations in San Jose, Costa Rica and Moscow, Russia. In addition, our customer-care, accounts receivable, credit and collections and customer event registration organizations are located at our facility in Costa Rica. With the acquisition of Cadent in April 2011, we now also have operations in Israel where the design and wand assembly, scanner manufacturing and digital modeling of our intra-oral scanners occurs. Our reliance on international operations exposes us to risks and uncertainties that may affect our business or results of operation, including:

- difficulties in hiring and retaining employees generally, as well as difficulties in hiring and retaining employees with the necessary skills to perform the more technical aspects of our operations;
- difficulties in managing international operations;
- fluctuations in currency exchange rates;
- import and export license requirements and restrictions;
- controlling production volume and quality of the manufacturing process;
- political, social and economic instability, including as a result of increased levels of violence in Juarez, Mexico or the Middle East;
- acts of terrorism and acts of war;
- interruptions and limitations in telecommunication services;
- product or material transportation delays or disruption, including as a result of health epidemics restricting travel to and from our international locations or as a result of natural disasters, such as earthquakes or volcanic eruptions;
- burdens of complying with a wide variety of local country and regional laws;
- trade restrictions and changes in tariffs; and
- potential adverse tax consequences.

If any of these risks materialize in the future, we could experience production delays and lost or delayed revenue.

A key step in our manufacturing process relies on sophisticated computer technology that requires new technicians to undergo a relatively long training process. If we are unable to accurately predict our volume growth, and fail to hire a sufficient number of technicians in advance of such demand, the delivery time of our products could be delayed which could adversely affect our results of operations.

Training production technicians takes approximately 90 to 120 days. As a result, if we are unable to accurately predict our volume growth, we may not have a sufficient number of trained technicians to deliver our products within the timeframe our customers expect. Such a delay could cause us to lose existing customers or fail to attract new customers. This could cause a decline in our revenues and net profits and could adversely affect our results of operations.

Our headquarters, digital dental modeling processes, and other manufacturing processes are principally located in regions that are subject to earthquakes and other natural disasters.

Our digital dental modeling is processed in our facility located in San Jose, Costa Rica. The operations team in Costa Rica creates ClinCheck treatment plans using sophisticated computer software. In addition, our customer facing operations are located in Costa Rica. Our aligner molds and finished aligners are fabricated in Juarez, Mexico. Both Costa Rica and Mexico are in earthquake zones and may be subject to other natural disasters. If there is a major earthquake or any other natural disaster in a region where one of these facilities is located, our ability to create ClinCheck treatment plans, respond to customer inquiries or manufacture and ship our aligners could be compromised which could result in our customers experiencing a significant delay in receiving their completed aligners and a decrease in service levels for a period of time. In addition, our headquarters facility is located in the San Francisco Bay Area. An earthquake or other natural disaster in this region could result in a disruption in our operations. Any such business interruption could materially and adversely affect our business, financial condition and results of operations.

Competition in the markets for our products is intense and we expect aggressive competition from existing competitors and other companies that may introduce new technologies in the future.

Currently, our products compete directly against products manufactured and distributed by various companies, both within and outside the United States. Many of these manufacturers, including Danaher Corporation, 3M, Sirona Dental Systems, Inc. and Dentsply International, have substantially greater financial resources and manufacturing and marketing experience than we do and may, in the future, attempt to develop an orthodontic system similar to ours or combine technologies that make our product economically unattractive. Large consumer product companies may also enter the orthodontic supply market. Furthermore, we may face competition in the future from new companies that may introduce new technologies. We may be unable to compete with these competitors and one or more of these competitors may render our technology obsolete or economically unattractive. If we are unable to compete effectively with existing products or respond effectively to any products developed by new or existing competitors, our business could be harmed. Increased competition has resulted in the past and may in the future result in volume discounting and price reductions, reduced gross margins, reduced profitability and loss of market share, and reduce dental professionals' efforts and commitment to expand their use of our products, any of which could have a material adverse effect on our revenues, volume growth, net profit (losses) and stock price. We cannot assure you that we will be able to compete successfully against our current or future competitors or that competitive pressures will not have a material adverse effect on our business, results of operations and financial condition.

Our information technology systems are critical to our business. System integration and implementation issues and system security risks could disrupt our operations, which could have a material adverse impact on our business and operating results.

We rely on the efficient and uninterrupted operation of complex information technology systems. All information technology systems are vulnerable to damage or interruption from a variety of sources. As our business has grown in size and complexity, the growth has placed, and will continue to place, significant demands on our information technology systems. To effectively manage this growth, our information systems and applications require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards and changing customer preferences. If the information we rely upon to run our businesses were to be found to be inaccurate or unreliable, if we fail to properly maintain our information systems and data integrity, or if we fail to develop new capabilities to meet our business needs in a timely manner, we could have operational disruptions, have customer disputes, lose our ability to produce timely and accurate reports, have regulatory or other legal problems, have increases in operating and administrative expenses, lose existing customers, have difficulty in attracting new customers or in implementing our growth strategies, or suffer other adverse consequences. In addition, experienced computer programmers and hackers may be able to penetrate our network security and misappropriate our confidential information or that of third parties, create system disruptions or cause shutdowns. Furthermore, sophisticated hardware and operating system software and applications that we either internally develop or procure from third parties may contain defects in design and manufacture, including "bugs" and other problems that can unexpectedly interfere with the operation of the system. The costs to eliminate or alleviate security problems, viruses and bugs could be significant, and the efforts to address these problems could result in interruptions that may have a material adverse impact on our operations, revenues and operating results.

We are currently focused on adding more functionality into our business enterprise systems to more efficiently integrate these systems with our other system applications, such as customer facing and manufacturing tools, and intend to continue this effort for the foreseeable future. System upgrades and enhancements require significant expenditures and allocation of valuable employee resources. Delays in integration or disruptions to our business from implementation of these new or upgraded systems could have a material adverse impact on our financial condition and operating results.

Additionally, we continuously upgrade our customer facing software applications, specifically the ClinCheck and MyAligntech software, and the Invisalign Doctor Site. Software applications frequently contain errors or defects, especially when they are first introduced or when new versions are released. The discovery of a defect or error or the incompatibility with the computer operating system and hardware configurations of customers in a new upgraded version or the failure of our primary information systems may result in the following consequences, among others: loss of revenue or delay in market acceptance, damage to our reputation or increased service costs, any of which could have a material adverse effect on our business, financial condition or results of operations.

Furthermore, our business requires the secure transmission of confidential information over public networks. Because of the confidential health information we store and transmit, security breaches could expose us to a risk of regulatory action, litigation, possible liability and loss. Our security measures may be inadequate to prevent security breaches, and our business operations and profitability would be adversely affected by, among other things, loss of customers and potential criminal and civil sanctions if they are not prevented.

[Table of Contents](#)

There can be no assurance that our process of improving existing systems, developing new systems to support our expanding operations, integrating new systems, protecting confidential patient information, and improving service levels will not be delayed or that additional systems issues will not arise in the future. Failure to adequately protect and maintain the integrity of our information systems and data may result in a material adverse effect on our financial position, results of operations and cash flows.

If the security of our customer and patient information is compromised, patient care could suffer, and we could be liable for related damages, and our reputation could be impaired.

We retain confidential customer and patient information in our processing centers. Therefore, it is critical that our facilities and infrastructure remain secure and that our facilities and infrastructure are perceived by the marketplace and our customers to be secure. Despite the implementation of security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. If we fail to meet our clients' expectations regarding the security of healthcare information, we could be liable for damages and our reputation could be impaired. In addition, patient care could suffer, and we could be liable if our systems fail to deliver correct information in a timely manner. Our insurance may not protect us from this risk.

Our success depends in part on our proprietary technology, and if we are unable to successfully enforce our intellectual property rights, our competitive position may be harmed. Litigating claims of this type is costly and could distract our management and cause a decline in our results of operations and stock price.

Our success will depend in part on our ability to maintain existing intellectual property and to obtain and maintain further intellectual property protection for our products, both in the U.S. and in other countries. Our inability to do so could harm our competitive position. As of September 30, 2011, we had issued 247 U.S. patents, 133 pending U.S. patent applications, and 171 issued foreign patents, and 140 pending foreign patent applications.

We intend to rely on our portfolio of issued and pending patent applications in the U.S. and in other countries to protect a large part of our intellectual property and our competitive position. However, our currently pending or future patent filings may not result in the issuance of patents. Additionally, any patents issued to us may be challenged, invalidated, held unenforceable, circumvented, or may not be sufficiently broad to prevent third parties from producing competing products similar in design to our products. In addition, any protection afforded by foreign patents may be more limited than that provided under U.S. patents and intellectual property laws. We also rely on protection of our copyrights, trade secrets, know-how and proprietary information. We generally enter into confidentiality agreements with our employees, consultants and our collaborative partners upon commencement of a relationship with us. However, these agreements may not provide meaningful protection against the unauthorized use or disclosure of our trade secrets or other confidential information, and adequate remedies may not exist if unauthorized use or disclosure were to occur. Our inability to maintain the proprietary nature of our technology through patents, copyrights or trade secrets would impair our competitive advantages and could have a material adverse effect on our operating results, financial condition and future growth prospects. In particular, a failure to protect our proprietary rights might allow competitors to copy our technology, which could adversely affect our pricing and market share. In addition, in an effort to protect our intellectual property we have in the past been and may in the future be involved in litigation. The potential effects on our business operations resulting from litigation that we may participate in the future, whether or not ultimately determined in our favor or settled by us, are costly and divert the efforts and attention of our management and technical personnel from normal business operations.

Litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or, in cases where injunctive relief is sought, an injunction prohibiting us from selling our products. Any of these results from our litigation could adversely affect our results of operations and stock price.

While we believe we currently have adequate internal control over financial reporting, we are required to assess our internal control over financial reporting on an annual basis and any future adverse results from such assessment could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Pursuant to the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated by the SEC, we are required to furnish in our Form 10-K an Annual Report by our management regarding the effectiveness of our internal control over financial reporting. The report includes, among other things, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. While we currently believe our internal control over financial reporting is effective, the effectiveness of our internal controls to future periods is subject to the risk that our controls may become inadequate because of changes in conditions, and, as a result, the degree of compliance of our internal control over financial reporting with the policies or procedures may deteriorate. In addition, Cadent was a private company and has not been subject to periodic reporting as a public company. There can be no assurance that the Cadent system of internal control over financial reporting would meet the standards required for public companies. Establishing, testing and maintaining an effective system of internal control over financial reporting requires significant resources and time commitments on the part of our management and our finance staff, may require additional staffing and infrastructure investments, and would increase our costs of doing business. We plan to exclude them from the scope of our annual report on internal controls over financial reporting for the period ended December 31, 2011. If we are unable to assert that our internal control over financial reporting is effective in any future period (or if our auditors are unable to express an opinion on the effectiveness of our internal controls or conclude that our internal controls are ineffective), we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings.

Under US GAAP, we review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Additionally, goodwill is required to be tested for impairment at least annually. The valuations used to determine the fair values used to test goodwill or amortizable intangible assets are dependent upon various assumptions and reflect management's best estimates. Net sales growth, discount rates, earnings multiples and future cash flows are critical assumptions used to determine these fair values. Slower net sales growth rates in the dental industry, an increase in discount rates, unfavorable changes in earnings multiples or a decline in future cash flows, among other factors, may cause a change in circumstances indicating that the carrying value of goodwill or amortizable intangible assets may not be recoverable. We may be required to record a significant charge to earnings in the financial statements during the period in which any impairment of goodwill or amortizable intangible assets is determined.

If we lose our key personnel or are unable to attract and retain key personnel, we may be unable to pursue business opportunities or develop our products.

We are highly dependent on the key employees in our clinical engineering, technology development, sales, training and marketing personnel and management teams. The loss of the services provided by those individuals may significantly delay or prevent the achievement of our product development and other business objectives and could harm our business. Our future success will also depend on our ability to identify, recruit, train and retain additional qualified personnel, including orthodontists. Few orthodontists are accustomed to working in a manufacturing environment since they are generally trained to work in private practices, universities and other research institutions. Thus, we may be unable to attract and retain personnel with the advanced qualifications necessary for the further development of our business. Furthermore, we may not be successful in retaining our key personnel or their services. If we are unable to attract and retain key personnel, our business could be materially harmed. In addition, our ability to recognize revenue on the direct sales of our scanners depends in part upon our ability to schedule and staff trainings. The loss of the services provided by these individuals or our ability to timely hire such personnel in sufficient numbers based on our volume growth, may harm our business. If we are unable to retain our trainers or replace such individuals with persons having equivalent technical expertise and qualifications, or if we are unable to successfully instill such technical expertise in newly hired personnel or accurately predict the number of such personnel needed, our revenues could be materially harmed.

If we infringe the patents or proprietary rights of other parties or are subject to a patent infringement claim, our ability to grow our business may be severely limited.

Extensive litigation over patents and other intellectual property rights is common in the medical device industry. We have been sued for infringement of third party's patents in the past and we may be the subject of patent or other litigation in the future. From time to time, we have received and may in the future receive letters from third parties drawing our attention to their patent rights. While we do not believe that we infringe upon any valid and enforceable rights that have been brought to our attention, there may be other more pertinent rights of which we are presently unaware. The defense and prosecution of intellectual property suits, interference proceedings and related legal and administrative proceedings could result in substantial expense to us and significant diversion of effort by our technical and management personnel. An adverse determination of any litigation or interference proceeding to which we may become a party could subject us to significant liabilities. An adverse determination of this nature could also put our patents at risk of being invalidated or interpreted narrowly or require us to seek licenses from third parties. Licenses may not be available on commercially reasonable terms or at all, in which event, our business would be materially adversely affected.

We maintain single supply relationships for certain of our key machines and materials technologies, and our business and operating results could be harmed if supply is restricted or ends or the price of raw materials used in our manufacturing process increases.

We are highly dependent on manufacturers of specialized scanning equipment, rapid prototyping machines, resin and other advanced materials, as well as the optics, electronic and other mechanical components of our scanners. We maintain single supply relationships for many of these machines and materials technologies. In particular, our scanning and stereolithography equipment are provided by a single supplier. We are also committed to purchasing all of our resin and polymer, the primary raw materials used in our manufacturing process, from a single source. If these or other suppliers encounter financial, operating or other difficulties or if our relationship with them changes, we might not be able to quickly establish or qualify replacement sources of supply and could face production interruptions, delays and inefficiencies. In addition, technology changes by our vendors could disrupt access to required manufacturing capacity or require expensive, time consuming development efforts to adapt and integrate new equipment or processes. Our growth may exceed the capacity of one or more of these manufacturers to produce the needed equipment and materials in sufficient quantities to support our growth. Conversely, in order to secure supplies for production of products, we sometimes enter into non-cancelable purchase commitments with vendors, which could impact our ability to adjust our inventory to reflect declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges and our profitability may suffer. In the event of technology changes, delivery delays, or shortages of or increases in price for these items, our business and growth prospects may be harmed.

We depend on a single contract manufacturer and supplier of parts used in our iOC and iTero scanners and any disruption in this relationship may cause us to fail to meet the demands of our customers and damage our customer relationships.

We rely on a third party manufacturer in Israel to assemble our iOC and iTero scanners. As a result, if this third party manufacturer fails to deliver its components or if we lose its services, we may be unable to deliver our products in a timely manner and our business may be harmed. Any difficulties encountered by the third party manufacturer with respect to hiring personnel, and maintaining acceptable manufacturing standards, controls, procedures and policies could disrupt our ability to deliver our products in a timely manner. Finding a substitute manufacturer may be expensive, time-consuming or impossible and could result in a significant interruption in the supply of our intra-oral scanning products. Any failure by our contract manufacturer that results in delays in our fulfillment of customer orders may cause us to lose revenues and suffer damage to our customer relationships.

We primarily rely on our direct sales force to sell our products, and any failure to maintain our direct sales force could harm our business.

Our ability to sell our products and generate revenues primarily depends upon our direct sales force within our North American and international markets. As of September 30, 2011, our North American sales organization consisted of 174 people, of which 146 were quota carrying sales representatives and 28 were regional sales managers and administration. Internationally, we had 64 people engaged in sales and sales support as of September 30, 2011. We do not have any long-term employment contracts with the members of our direct sales force. The loss of the services provided by these key personnel may harm our business. If we are unable to retain our direct sales force personnel or replace them with individuals of equivalent technical expertise and qualifications, or if we are unable to successfully instill such technical expertise or if we fail to establish strong relationships with our customers within a relatively short period of time, our revenues and our ability to maintain market share could be materially harmed. In addition, due to our large and fragmented customer base, we may not be able to provide all of our customers with product support immediately upon the launch of a new product. As a result, adoption of new products by our customers may be slower than anticipated and our ability to grow market share and increase our revenues may be harmed.

If our distributor relationships are not successful, our ability to market and sell our products would be harmed and our financial performance will be adversely affected.

We depend on relationships with distributors for the marketing and sales of our products in various geographic regions, and we have a limited ability to influence their efforts. Relying on distributors for our sales and marketing could harm our business for various reasons, including:

- agreements with distributors may terminate prematurely due to disagreements or may result in litigation between the partners;
- we may not be able to renew existing distributor agreements on acceptable terms;
- our distributors may not devote sufficient resources to the sale of products;
- our distributors may be unsuccessful in marketing our products;
- our existing relationships with distributors may preclude us from entering into additional future arrangements with other distributors; and
- we may not be able to negotiate future distributor agreements on acceptable terms.

Complying with regulations enforced by the FDA and other regulatory authorities is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.

Our products are medical devices and are subject to extensive regulation in the U.S. and internationally. FDA regulations are wide ranging and govern, among other things:

- product design, development, manufacturing and testing;
- product labeling;
- product storage;

[Table of Contents](#)

- pre-market clearance or approval;
- advertising and promotion; and
- product sales and distribution.

Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA or state agencies, which may include any of the following sanctions:

- warning letters, fines, injunctions, consent decrees and civil penalties;
- repair, replacement, refunds, recall or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing our requests for 510(k) clearance or pre-market approval of new products, new intended uses, or modifications to existing products;
- withdrawing clearance or pre-market approvals that have already been granted; and
- criminal prosecution.

If any of these events were to occur, they could harm our business. We must comply with facility registration and product listing requirements of the FDA and adhere to applicable Quality System regulations. The FDA enforces its Quality System regulations through periodic unannounced inspections. For instance, on November 17, 2010, we received a Warning Letter from the FDA, which requested additional documentation relating to our written implemented corrective actions to our Complaint and Medical Device Reporting procedures. We responded to the Warning Letter on November 22, 2010, and we are working closely with the FDA to address their concerns and close the matter. Should we fail to promptly and fully address the issues listed in the Warning Letter may result in further regulatory sanctions, including additional Warning Letters, adverse publicity, refusal to clear or approve applications for new or modified products, injunctions, fines, civil penalties or criminal prosecution. Any FDA enforcement action could have a material adverse effect on us.

Before we can sell a new medical device in the U.S., or market a new use of or claim for an existing product we must obtain FDA clearance or approval, unless an exemption applies. Obtaining regulatory clearances or approvals can be a lengthy and time-consuming process. Even though the devices we market have obtained the necessary clearances from the FDA, we may be unable to maintain such clearances in the future. Furthermore, we may be unable to obtain the necessary clearances for new devices that we intend to market in the future. Our inability to maintain or obtain regulatory clearances or approvals could materially harm our business.

If compliance with healthcare regulations becomes costly and difficult for our customers or for us, we may not be able to grow our business.

Participants in the healthcare industry are subject to extensive and frequently changing regulations under numerous laws administered by governmental entities at the federal, state and local levels, some of which are, and others of which may be, applicable to our business. In response to perceived increases in health care costs in recent years, Congress recently passed health care reform legislation that President Obama signed into law in March 2010. The enacted legislation contains many provisions designed to generate the revenues necessary to fund the coverage expansions. The most relevant of these provisions are those that impose fees or taxes on certain health-related industries, including medical device manufacturers. Beginning in 2013, each medical device manufacturer may have to pay an excise tax in an amount equal to 2.3 percent of the price for which such manufacturer sells its medical devices. This tax applies to all medical devices, including our products. These taxes, will result in a significant increase in the tax burden on our industry, which could have a material, negative impact on our results of operations and our cash flows.

Furthermore, our healthcare provider customers are also subject to a wide variety of laws and regulations that could affect the nature and scope of their relationships with us. The healthcare market itself is highly regulated and subject to changing political, economic and regulatory influences. Regulations implemented pursuant to the Health Insurance Portability and Accountability Act (HIPAA), including regulations affecting the security and privacy of patient healthcare information held by healthcare providers and their business associates may require us to make significant and unplanned enhancements of software applications or services, result in delays or cancellations of orders, or result in the revocation of endorsement of our products and services by healthcare participants. The effect of HIPAA and newly enforced regulations on our business is difficult to predict, and there can be no assurance that we will adequately address the business risks created by HIPAA and its implementation or that we will be able to take advantage of any resulting business opportunities.

[Table of Contents](#)

Extensive and changing government regulation of the healthcare industry may be expensive to comply with and exposes us to the risk of substantial government penalties.

In addition to medical device laws and regulations, numerous state and federal healthcare-related laws regulate our business, covering areas such as:

- storage, transmission and disclosure of medical information and healthcare records;
- prohibitions against the offer, payment or receipt of remuneration to induce referrals to entities providing healthcare services or goods or to induce the order, purchase or recommendation of our products; and
- the marketing and advertising of our products.

Complying with these laws and regulations could be expensive and time-consuming, and could increase our operating costs or reduce or eliminate certain of our sales and marketing activities or our revenues.

We face risks related to our international sales, including the need to obtain necessary foreign regulatory clearance or approvals.

Outside of North America, we currently sell our products in Europe, Asia Pacific, Latin America and the Middle East and may expand into other countries from time to time. For sales of our products outside the U.S., we are subject to foreign regulatory requirements that vary widely from country to country. The time required to obtain clearances or approvals required by other countries may be longer than that required for FDA clearance or approval, and requirements for such approvals may differ from FDA requirements. We may be unable to obtain regulatory approvals in one or more of the other countries in which we do business or in which we may do business in the future. We may also incur significant costs in attempting to obtain and maintain foreign regulatory approvals. If we experience delays in receipt of approvals to market our products outside of the U.S., or if we fail to receive these approvals, we may be unable to market our products or enhancements in international markets in a timely manner, if at all.

Our business exposes us to potential product liability claims, and we may incur substantial expenses if we are subject to product liability claims or litigation.

Medical devices involve an inherent risk of product liability claims and associated adverse publicity. We may be held liable if any product we develop or any product that uses or incorporates any of our technologies causes injury or is otherwise found unsuitable. Although we intend to continue to maintain product liability insurance, adequate insurance may not be available on acceptable terms, if at all, and may not provide adequate coverage against potential liabilities. A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs. These costs would have the effect of increasing our expenses and diverting management's attention away from the operation of our business, and could harm our business.

Historically, the market price for our common stock has been volatile.

The market price of our common stock could be subject to wide price fluctuations in response to various factors, many of which are beyond our control. The factors include:

- quarterly variations in our results of operations and liquidity;
- changes in recommendations by the investment community or in their estimates of our revenues or operating results;
- speculation in the press or investment community concerning our business and results of operations;
- strategic actions by our competitors, such as product announcements or acquisitions;
- announcements of technological innovations or new products by us, our customers or competitors; and
- general economic market conditions.

In addition, the stock market in general, and the market for technology and medical device companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated to or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. Historically, class action litigation is often brought against an issuing company following periods of volatility in the market price of a company's securities. A securities class action suit was filed against us on behalf of all persons or entities who purchased our common stock between January 30, 2007 and October 24, 2007. While we believe the lawsuit is without merit and intend to vigorously defend ourselves, we could incur substantial legal fees, and our management's attention and resources may be diverted from operating our business in order to respond to the litigation.

Future sales of significant amounts of our common stock may depress our stock price.

A large percentage of our outstanding common stock is currently owned by a small number of significant stockholders. These stockholders have sold in the past, and may sell in the future, large amounts of common stock over relatively short periods of time. Sales of substantial amounts of our common stock in the public market by our existing stockholders may adversely affect the market price of our common stock. Such sales could create public perception of difficulties or problems with our business and may depress our stock price.

Changes in, or interpretations of, accounting rules and regulations, could result in unfavorable accounting charges.

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in these policies can have a significant effect on our reported results and may even retroactively affect previously reported transactions. Our accounting policies that recently have been or may be affected by changes in the accounting rules are as follows:

- revenue recognition;
- accounting for share-based payments;
- and leases.

If we fail to manage our exposure to global financial and securities market risk successfully, our operating results and financial statements could be materially impacted.

The primary objective of most of our investment activities is to preserve principal. To achieve this objective, a majority of our marketable investments are investment grade, liquid, short-term fixed-income securities and money market instruments denominated in U.S. dollars. If the carrying value of our investments exceeds the fair value, and the decline in fair value is deemed to be other-than-temporary, we will be required to write down the value of our investments, which could materially harm our results of operations and financial condition. Moreover, the performance of certain securities in our investment portfolio correlates with the credit condition of the U.S. financial sector. In an current unstable credit environment, we might incur significant realized, unrealized or impairment losses associated with these investments.

We have adopted a shareholders rights' plan to limit the possibility that we are acquired, which may mean that a transaction that shareholders are in favor of or are benefited by may be prevented.

Our board of directors has the authority to issue up to 5,000,000 shares of preferred stock and to determine the rights, preferences, privileges and restrictions of such shares without any further vote or action by our shareholders. To date, our board of directors has designated 200,000 shares as Series A participating preferred stock in connection with our shareholder rights' plan. The issuance of preferred stock under certain circumstances could have the effect of delaying or preventing an acquisition of Align or otherwise adversely affecting the rights of the holders of our stock. The shareholder rights' plan may have the effect of rendering more difficult or discouraging an acquisition of our company which is deemed undesirable by our board of directors. The shareholder rights' plan may cause substantial dilution to a person or group attempting to acquire us on terms or in a manner not approved by our board of directors, except pursuant to an offer conditioned on the negation, purchase or redemption of the rights issued under the shareholder rights' plan.

Our effective tax rate may vary significantly from period to period.

Various internal and external factors may have favorable or unfavorable effects on our future effective tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, the future levels of tax benefits of stock option deductions relating to incentive stock options and employee stock purchase plans and changes in overall levels of pretax earnings. In June 2009, the Costa Rica Ministry of Foreign Trade, an agency of the Government of Costa Rica, granted a twelve year extension of the tax incentives which were previously granted in 2002. Under these incentives, all of the income we earn in Costa Rica during these twelve year incentive periods is subject to reduced rates of Costa Rica income tax. The incentive tax rates will expire in various years beginning in 2017. The Costa Rica corporate income tax rate that would apply, absent the incentives, is 30% for 2011. As a result of these incentives, income taxes were reduced by \$12.7 million in 2010. In order to receive the benefit of the incentives, we must hire specified numbers of employees and maintain minimum levels of fixed asset investment in Costa Rica. If we do not fulfill these conditions for any reason, our incentive could lapse and our income in Costa Rica would be subject to taxation at higher rates, which could have a negative impact on our operating results.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. REMOVED AND RESERVED

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits:

<u>Exhibit Number</u>	<u>Description</u>	<u>Filing</u>	<u>Date</u>	<u>Exhibit Number</u>	<u>Filed here with</u>
10.1	Conditional Purchase and Sales Agreement between Lexmark International S.A. de C.V. and Aligntech de Mexico S. de. R.L de C.V				*
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				*
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				*
101.INS	XBRL Instance Document				*
101.SCH	XBRL Taxonomy Extension Schema Document				*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				*

SIGNATURES

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

ALIGN TECHNOLOGY, INC.

Date November 4, 2011

By: _____ /s/ THOMAS M. PRESCOTT
Thomas M. Prescott
President and Chief Executive Officer

By: _____ /s/ KENNETH B. AROLA
Kenneth B. Arola
Chief Financial Officer and Vice President, Finance

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>	<u>Filing</u>	<u>Date</u>	<u>Exhibit Number</u>	<u>Filed here with</u>
10.1	Conditional Purchase and Sales Agreement between Lexmark International S.A. de C.V. and Aligntech de Mexico S. de. R.L de C.V				*
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				*
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				*
101.INS	XBRL Instance Document				*
101.SCH	XBRL Taxonomy Extension Schema Document				*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				*

CONDITIONAL PURCHASE AND SALES AGREEMENT

This Conditional Purchase and Sales Agreement (the "Agreement") is entered into by and between Lexmark Internacional, S.A. de C.V., represented herein by William Steven Davis, in his capacity as Attorney in Fact (hereinafter referred to as "Seller"), and Aligntech de Mexico, S. de R.L. de C.V., represented herein by Roger E. George, in his capacity as Attorney in Fact (hereinafter referred to as "Buyer"), pursuant to the following recitals and clauses.

Recitals

1. Seller hereby states, through its Attorney in Fact, that:

- (a) It is a corporation duly incorporated and existing pursuant to the laws of the United Mexican States, as evidenced in Public Deed number 2067, Volume 87, from the records of Notary Public number 18 in and for Bravos District, Ciudad Juarez, State of Chihuahua, United Mexican States and recorded with the Public Registry of Property and Commerce under Entry number 1144 in Book First, Tenth in Order, in the Commerce Section in the Public Records of Property of Bravos District, State of Chihuahua, United Mexican States (henceforth, the "Public Registry"); a copy of which is attached hereto as **Exhibit "A"**;

It is the owner in absolute fee simple manner of: (A) a certain Tract of Land identified as Tract of Land number 3 in Block A of the Salvarcar Industrial Park of the City of Juarez, State of Chihuahua, United Mexican States with a total surface area of 22,114.5852 square meters (approximately 238,039.18 square feet) (the "Tract of Land No 3") with the following metes and bounds: From point one to point two, bearing SE 39°37'36" with a distance of ninety-eight meters, two hundred one tenths of a millimeter (98.0201 m); from that point two to point three, a radius of fifty-one meters, fifty centimeters (51.50 m), an angle bearing SE 49°01'29", curve of sixteen meters, eight thousand eight hundred ninety-two tenths of a millimeter (16.8892 m), the prior two metes bound with Circuito Interior; from that point three to point four, a radius of sixteen meters, eighty-one centimeters (16.81 m), an angle bearing NW 87°38'10", a curve of sixteen meters, four thousand eighty-five tenths of a millimeter (16.4085 m), and a curved line of seventeen meters, one thousand four hundred sixteen tenths of a millimeter (17.1416 m), bounds with the corner of Circuito Interior and Libramiento Aeropuerto; from that point four to point five, a radius of fifty-one meters, fifty centimeters (51.50 m), an angle bearing NE 53°45'10", a curve of sixteen meters, eight thousand one hundred ninety-two tenths of a millimeter (16.8192 m) and a curved line of sixteen meters, eight thousand nine hundred forty-nine tenths of a millimeter (16.8949 m); from this point five to point six, bearing NE 47°13'02", with a distance of ten meters, one hundred twenty-five tenths of a millimeter (10.0125 m); from this point six to point seven, bearing NE 44°21'17", with a distance of fifty-two meters, seventy-five tenths of a millimeter (52.0075 m); from this point seven to point eight, a radius of sixty-two meters, fifty centimeters (62.50 m), angle bearing NE 47°12'36", a curve of six meters, two thousand two hundred sixty-seven tenths of a millimeter (6.2267 m) and a curved line of six meters, two thousand two hundred ninety-three tenths of a millimeter (6.2293 m); from this point eight to point nine, bearing NE 50°03'55", with a distance of twenty-nine meters, one thousand eight hundred ninety-five tenths of a millimeter (29.1895 m); from this point nine to point ten, a radius of fifty-seven meters, fifty centimeters (57.50 m), an angle bearing NE 47°12'36", curve of five meters, seven thousand two hundred eighty-six tenths of a millimeter (5.7286 m) and a curved line of five meters, seven thousand three hundred nine tenths of a millimeter (5.7309 m); from this point ten to point eleven, bearing NE 44°21'17", with a distance of forty-two meters, four hundred twenty-three tenths of a millimeter (42.0423 m), the prior metes bound with Libramiento Aeropuerto; from this point eleven to point twelve, bearing NW 45°38'43", with a distance of one hundred thirty-three meters, two thousand one hundred nineteen tenths of a millimeter (133.2119 m) bounds with tract of land number one; from this point twelve to the starting point one to close the figure, bearing SW 44°21'17", with a distance of one hundred sixty-three meters, three thousand one hundred ninety-six tenths of a millimeter (163.3196 m), bounds with tract of land number four; of which a blue print is attached as **Exhibit B**; and (b) a certain Tract of Land identified as Tract of Land number 4 in Block A of the Salvarcar Industrial Park of Ciudad Juarez, State of Chihuahua, United Mexican States with a total surface area of 19,170.4567 square meters (approximately 206,348.88 square feet) (the "Tract of Land No 4") with the following metes and bounds: From point one to point two, bearing SE 39°37'36" with a distance of one hundred twenty-two meters, eight thousand seven hundred seventy-three tenths of a millimeter (122.8773 m), bounds with Circuito Interior; from point two to point three, bearing NE 44°21'17" with a distance of one hundred sixty-three meters, three thousand one hundred ninety-six tenths of a millimeter (163.3196 m), bounds with Tract of Land number 3; from point three to point four, bearing NW 45°38'43" with a distance of one hundred twenty-two meters, twenty centimeters (122.20 m), bounds with tract of land number two; from point four to point one to close the figure, bearing SW 44°21'17" with a distance of one hundred fifty meters, four thousand three hundred fifty-eight tenths of a millimeter (150.4358 m), bounds with tract of land number six; of which a blue print is attached as **Exhibit C**; and (c) an industrial building constructed thereon with a total surface area of approximately 13,599.42 square meters (approximately 146,383 square feet) (the "Building"), more particularly described in **Exhibit D** attached and by this reference made a part hereof located at Blvd. Independencia number 1951, at Parque Industrial Salvarcar, in Ciudad Juarez, State of Chihuahua, United Mexican States. The tracks of Land, the Building and all other appurtenance thereto, together with all and singular rights, title, interests, benefits, privileges, easements, tenements and appurtenances thereunto, belonging or appertaining thereto; and rights, easements and other interests, if any, in and to adjacent streets, alleys and rights-of-way, development rights or other property abutting such real properties, water and sewer taps, riparian, sanitary or storm sewer capacity or reservations and rights under utility agreements with any entities or agencies with respect to the providing of utility services to such real properties, all the buildings and other improvements, if any (including infrastructure and utilities) erected on the Land, including the Building with all rights, title and interest (including warranties, guaranties, bonds) in those fixtures, machinery, equipment, furnitures and cubicles and other Building Inventory referenced in **Exhibit H**, clean rooms and articles of personal property and permanent improvements in the nature of personal property attached, located in, or appurtenant to the Land and improvements, including, but not limited to, the property described on Exhibit H (collectively, the "Personal Property"). All of the property, rights, and interests described in this paragraph are hereinafter being referred to collectively as the "Property".

- (b) It acquired the Property through Public Deed number 5,838, dated June 25, 1999, from the records of Notary Public number 18 in and for Ciudad Juarez, State of Chihuahua, United Mexican States, recorded with the Public Registry with respect to Track of Land No. 3 under Entry number 59, Page 61, Book 2722, in the First Section of the Public Registry of Property of Bravos District, in Ciudad Juarez, State of Chihuahua, dated 30 September, 1999, and with respect to Track of Land No. 4 under Entry number 60, Page 62, Book 2722, in the First Section of the Public Registry of Property of Bravos District, in Ciudad Juarez, State of Chihuahua, dated 30 September, 1999.

Conditional Purchase and Sales Agreement

- (c) It has the legal capacity required to execute this Agreement as provided in its by-laws and has obtained the necessary approvals from its appropriate corporate bodies to enter into this Agreement and be bound by the terms and conditions hereof and its Attorney in Fact has full authority and power to execute this Agreement on its behalf which authority has not been limited, suspended nor revoked in any manner whatsoever as evidenced through Public Deed number 45,033, Volume 1841, from the records of Notary Public number 28 in and for Bravos District, Ciudad Juarez, State of Chihuahua, United Mexican States;
- (d) Up to this date the Property is free of liens, encumbrances, encroachments or limitations of domain, expropriation, easements, leases and rights or options of use, occupancy or purchase (collectively, the "Liens") as indicated in the certificate of lack of liens issued by the Public Registry same which is attached as **Exhibits "E" and "F"**;
- (e) As of the date hereof, there is no pending or to Seller's knowledge threatened litigation or condemnation or similar proceeding affecting any part of the Property;
- (f) As of the date hereof, it is not prohibited from consummating the transactions contemplated by this Agreement by any law, regulation, agreement, instrument, restriction, order or judgment;
- (g) As of the date hereof and to Seller's knowledge, the Property is in compliance with all applicable laws, except for such failures to comply, if any, which have been remedied, and that it has not entered into any commitments or agreements with any governmental authorities or agencies affecting the Property that are not a matter of public record at the Public Registry;
- (h) The Property is suitable to be used for industrial purposes, as evidenced in the Zoning Certificate (*Constancia de Zonificación*) issued by the Urban Development Office, copy of which is attached as **Exhibit "G"**; and
- (i) It desires to enter into this Agreement with Buyer to eventually transfer perfect absolute fee simple title of the Property to Buyer (or its designee) on the Closing Date free and clear of all Liens, as defined above, through a public deed (or other applicable document required by law) (the "Deed Transferring Title"), pursuant to the terms contained herein, in order to transfer, subject to the applicable terms of this Agreement and the Deed Transferring Title to the Buyer or its designee, the domain, title and ownership of the Property, and all its associated rights and interests, if any under the terms and conditions provided in **Exhibit "I"**.

2. Buyer hereby states, through its Attorney in Fact, that:

- (a) It is a corporation duly incorporated and existing pursuant to the laws of the United Mexican States, as evidenced in Public Deed number 7,136, Volume 336, from the records of Notary Public number 14 in and for Ciudad Juarez, State of Chihuahua, United Mexican States dated November 3, 2008 and recorded with the Public Registry under Electronic Entry number 24400*3, on November 19, 2008.

Conditional Purchase and Sales Agreement

- (b) Its Attorney in Fact has full authority and power to execute this Agreement on its behalf, which authority has not been limited, suspended nor revoked in any manner whatsoever as evidenced through Public Deed number 7,136, Volume 336 from the records of Notary Public number 14 in and for Bravos District, Ciudad Juarez, State of Chihuahua, United Mexican States dated November 3, 2008;
- (c) It desires to enter into this Agreement for purposes of acquiring full, perfect and irrevocable ownership title and domain over the Property pursuant to the terms and conditions of this Agreement and of that certain Deed Transferring Title as provided herein and therein; and
- (d) Pursuant to the terms and conditions of this Agreement. It desires to be able to designate any corporation, company or entity to acquire the Property.

3. Both Parties state, through their Attorneys in Fact, that:

- (a) In the execution of this Agreement there has been no known error, bad faith, violence nor duress between them; and
- (b) They mutually acknowledge the authority with which each of their Attorneys in Fact appear to the execution hereof.

Having stated the foregoing, the parties hereto agree on the following:

Clauses

First. Purpose. Seller hereby promises, agrees and accepts to transfer in fee simple title over the Property, subject to the full and complete payment of the Purchase Price (as such term is defined below) and subject to the terms and conditions of this Agreement, to Buyer or its designee on or before the Closing Date, through the execution of the Deed Transferring Title (as such term is defined above) in absolute fee simple title over the Property in the terms of this Agreement. Seller is obligated to sell and Buyer is obligated to purchase the Property provided that the Conditions Precedent herein below set forth have been duly and timely met or waived by Buyer as of Closing Date. All construction warranties are to be transferred to Buyer also at Closing.

Seller and Buyer hereby agree that this Agreement is enforceable to the parties as of the date of signature hereof (henceforth, the "Effective Date").

The Property is and shall be transferred free of Liens of any nature whatsoever, subject only to real estate taxes not yet due and payable and other matters of record in the Public Records of Property in and for Ciudad Juarez, State of Chihuahua, United Mexican States.

The title transfer over the Property shall comply with any and all formalities provided by applicable law in order to perfect such a transfer in fee simple for all legal purposes whatsoever. Title transfer over the Property shall be performed through the Deed Transferring Title with a Notary Public selected by the Buyer in the terms hereinafter set forth.

Notwithstanding anything to the contrary in this Agreement, Buyer may terminate this Agreement for any reason, or no reason, whatsoever by giving written notice of termination to Seller on or before the last day of the Due Diligence Period (as defined below) and obtain the reimbursement of any Security Deposit; provided however that US\$25,000 of the Security Deposit shall in such event be paid to Seller as the sole and entire cost to Buyer for such termination. If the Buyer does not give such termination notice to Seller on or before the last day of the Due Diligence Period, this Agreement shall continue in full force and effect, and Buyer shall be deemed to have waived its right to terminate this Agreement pursuant to this paragraph, in which event and considering that Buyer does not proceed with the acquisition of the Property within the agreed period (provided all Conditions Precedent have been met), Seller will have the right to receive the full Security Deposit as the sole contractual penalty.

Second. Conditions Precedent. The parties hereto agree that the obligation of Buyer to purchase the Property is subject to the fulfillment of Seller of the following conditions precedent or specifically defined as "Conditions Precedent" in this Agreement:

- (a) That the Property be free of Liens as of Closing and that Seller delivers to Buyer an updated certificate of lack of liens.
- (b) That the Property is within the zone classified as industrial under the current urban development plan. That Seller secures from the competent authorities and delivers to Buyer an Industrial Zoning Certificate (*Constancia de Zonificación*) issued by the corresponding Municipal authority.
- (c) That Seller delivers to Buyer copy of the Site Abandonment Inspection Minutes conducted by inspectors of PROFEPA (*Procuraduría Federal de Protección al Ambiente*) stating that all environmental issues are complete and correct.
- (d) Delivery by seller of title to the Property on the Closing Date free and clear from (i) any Lien of any nature whatsoever, as provided under Mexican Law; and (ii) any tenancy, possession or occupation.
- (e) Performance by Seller in all material respects of the material obligations and covenants hereby agreed to.
- (f) That Seller hereby also agrees to deliver to Buyer the following documentation:
 - (i) The latest Property Tax payment receipt, and Certificates of Non-Indebtedness issued by the local Municipal Cadastral Department; and
 - (ii) Last payment receipts, copies of the contracts and the deposits for utility services (i.e. water, sewer, electricity, gas), issued by the corresponding offices;

- (g) That the documents and information described under Clause Fourth below are duly delivered by Seller to Buyer.
- (h) That the representations of each of the parties contained herein shall be true and correct as of the date of this Agreement and the Closing Date.
- (i) That there be no actions, suits, arbitrations, claims, attachments, proceedings, assignments for the benefit of creditors, pending against the Property that would materially and adversely affect the operation or value of the Property.
- (j) That the property tax corresponding to the Property be current.
- (k) The Property shall be in the same condition as is in the date of this Agreement subject only to ordinary wear and tear and in good housekeeping condition by the Closing Date and will include the "clean rooms" and the equipment, furniture, fixtures and equipment described in Exhibit "H" existing to date in same and be free of garbage and all of the same will be in good working condition.
- (l) That Buyer obtains access to the Water Tower that feeds water to the fire protection sprinkler system of the Property and secures such service to the Property in terms to be reasonably acceptable to the Buyer for a minimum term of 180 days after the Closing Date and Seller shall assign to Buyer all rights under the agreements providing such service.

If a stated Condition Precedent is not satisfied, Buyer shall have the right to waive that Condition Precedent and proceed to Closing, or to terminate this Agreement in which event the Security Deposit, as defined below shall be reimbursed to Buyer.

Third. Price and form of payment. The price agreed between the parties for the purchase of the Property is US\$3,200,000 (Three Million Two Hundred Thousand 00/100 dollars, legal currency of the United State of America) (henceforth, the "Purchase Price"), of which US\$640,000 corresponds to the Land and US\$2,560,000 corresponds to the Building, therefore; the transfer of the Building shall cause Value Added Tax (VAT) in the amount of US\$409,600, approximately.

Seller shall pay the Income Tax derived from the transfer of the Property and Buyer shall pay all other taxes and expenses derived there from, including but not limited to Real Estate Transfer Tax, Value Added Tax, notary fees, appraisal and recording charges, and the escrow fee of the Escrow Agent, as defined below.

At the execution of this Agreement, Buyer shall deposit via wire transfer in an account of First American Fund Control Inc. ("Escrow Agent") 200 Commerce, Irvine, CA 92602, a security deposit in the amount of US\$160,000.00 (One Hundred and Sixty Thousand 00/100 dollars, legal currency of the United States of America) (the "Security Deposit"), which shall be held in escrow pursuant to this Agreement and shall only be disbursed in accordance to this Agreement.

Payment of the Purchase Price shall be made via wire transfer at Closing upon the execution of the Deed Transferring Title and fee simple title over the Property has been duly transferred to Buyer, in which event the Security Deposit shall be paid by Seller as part of the Purchase Price.

If the sale of the Property is performed in accordance with the terms and conditions of this Agreement, the Security Deposit shall be applied to the Purchase Price to be paid by Buyer at Closing. Without limiting and notwithstanding any of Buyer's other rights or remedies under this Agreement, in the event that the Agreement is terminated and the acquisition herein contemplated is not consummated because the Conditions Precedent are not met or otherwise as provided herein, the Security Deposit shall be returned to Buyer as provided by the terms of this Agreement. If all Conditions Precedent are met and Buyer does not proceed with the acquisition of the Property, Seller shall have the right to receive the Security Deposit as Seller's sole remedy.

Payment of the Purchase Price, including the Security Deposit shall be made by Buyer and Escrow Agent through wire transfer.

Conveyance of title of the Property shall be effective together with all adhesions appurtenant thereto either by law or in fact, with the location, area, metes and bounds provided in Recital 1, paragraph (a) above, which description is considered and deemed as literally inserted in this clause for all legal purposes.

Fourth. Due Diligence Period. Buyer will have a due diligence period (the "Due Diligence Period"), that will allow Buyer to determine the feasibility of Buyer's purchase of the Property, which shall equal sixty (60) calendar days commencing on the Effective Date, within which all Conditions Precedent shall be duly and timely met, unless otherwise agreed by the parties herein. Buyer will have the right to verify that title, deed of record, survey, environmental conditions, structure and feasibility are in compliance with all applicable laws and regulations and that the Property is otherwise suitable for Buyer's purchase and use. The following information shall be provided by Seller to Buyer within five (5) business days as of the date hereof, unless otherwise mutually agreed by the parties in writing (which includes e-mail communications) or unless otherwise provided in this Agreement:

- (a) a copy of the 2011 property tax payment receipts regarding the Property;
- (b) a survey of the Property, indicating the area, metes and bounds, and a point of reference to verify the precise dimension of the Property, if available;
- (c) a copy of Seller's title to the Property;
- (d) a copy of the Abandonment (*Abandano de Sitio*) Inspection Minutes. Seller shall also provide to Buyer when issued and delivered by the respective authority, the resolution from the Ministry of Environment (*Acuerdo de Archivo*) regarding the environmental condition of the Property; and
- (e) copies and/or originals of any and all documents, blueprints, authorizations, permits and licenses, including but not limited to all construction, subdivision and environmental permits issued by federal, state or local authorities described on **Exhibit "J"**, and copies of such further documents and materials as are reasonably requested by Buyer and are in Seller's possession or reasonably available to Seller.

Current insurance policies over the Property will be maintained through the term of this Agreement for not less than USD\$3,500,00 (three million five hundred thousand dollars, legal currency of the United States of America) and be provided to Buyer within five business days. All property insurance shall be in "all-risk" form.

If the above mentioned documents and/or information are not duly and timely provided by Seller to Buyer the Due Diligence Period may be extended for each additional day required by Seller, prior written consent given by Buyer, in order to furnish the applicable items referred to in this Clause Fourth, except for those items that, as agreed by the parties, are not material to Buyer's due diligence or strictly necessary to be reviewed by Buyer before that term.

Buyer shall provide Seller within five (5) days after the expiration of the Due Diligence Period and provided no Termination Notice has been given by Buyer to Seller pursuant to the terms under this Agreement, with a copy of the proposed Deed Transferring Title, which shall incorporate the terms and conditions of this Agreement, among the other provisions normally contained in deed instruments and reasonably satisfactory to Buyer and Seller substantially in the form set forth in **Exhibit "I"**.

Fifth. Access to the Property. Buyer and Buyer's employees, agents and contractors shall have the right to enter upon and fully inspect the Property, including but not limited to performing surveys and environmental studies, all of which shall be at Buyer's sole cost and expense. Seller shall give Buyer access to the Property during normal business hours. All information obtained as a result of such investigations shall be maintained by Buyer on a confidential basis and shall not be disclosed to any third party (other than Buyer's attorneys, accountants and lender) without the prior written consent of Seller. Tests may include soil borings and concrete samples, to the extent that no damage is caused to the Property. Upon completion of any such inspection or test, Buyer shall use its due and diligent efforts to restore the Property to its condition prior to such inspection or test. Buyer shall indemnify, hold harmless and defend Seller from any physical damage or bodily injury arising out of or resulting from Buyer's actions under this clause.

In the course of its investigations regarding the Property, Buyer may perform inquiries to third parties including, without limitation, lenders, contractors, and municipal, local, and other government officials and representatives. Buyer shall keep as confidential all information obtained or secured from those third parties.

Sixth. Liens or encumbrances. Seller represents that at the execution hereof, the Property is not subject to any Liens or encumbrances, and that from the date of execution of this Agreement until the date of execution of the Deed Transferring Title (said date included) the Property will not be subject to any Liens or encumbrances, in the terms hereof and of the Deed Transferring Title.

Seventh. Environmental liability. Seller agrees to indemnify, and hold Buyer, its successors, and assignees, harmless against claims, demands, administrative proceedings, fines, losses and damages, paid or incurred by Buyer, its successors or assignees, as a result of claims brought by third parties alleging any violations by Seller or its agents or contractors of Environmental Laws or the presence of any Hazardous Materials originating at the Property or at the adjoining property during the periods of Seller's ownership thereof (collectively, the "Indemnified Losses").

Seller hereby represents and warrants to Buyer that the Property is and shall be as of the Closing Date free of any type and kind of Hazardous Material as defined below, on, under or above the Property, affecting the surface and subsurface soil and ground-water in violation of Environmental Laws as defined below.

Seller shall be responsible for the remediation of any Hazardous Materials originating at the Property or at the adjoining property during the periods of Seller's ownership thereof, which may be present prior to the Closing Date in violation of Environmental Laws as defined below.

"Hazardous Materials" for the purposes of this Agreement, shall be defined as any hazardous, toxic, or chemical substance, wastes or other regulated materials by the applicable Environmental Laws (as such concept is defined below) including but not limited to electrical equipment and equipment of any kind containing polychlorated biphenyls ("PCBs"), oils, lubricants and other type of oils or hydrocarbon, asbestos products, underground tanks, chemicals and other substances which are known to be hazardous to person, property or the natural resources as well as any other material or substance which composition or physical or chemical state may be corrosive, reactive, toxic, explosive, flammable or biologically infectious; as well as explosives, guns or any other type of movables and substances regulated by the Ministry of Defense (SEDENA).

"Environmental Laws" for the purpose of this Agreement shall be defined as any law, regulation, rule or order regarding environment, safety and health, which is currently in effect by any governmental authority authorized in Mexico, of either federal, state or local level including but not limited to, the Law of Ecological Equilibrium and Protection of the Environment, General Law for the Prevention and Integral Management Waste its Regulations and any applicable Mexican Official Standards (NOMs).

Eighth. Other negotiations. Upon the execution hereof, Seller represents and warrants that it shall not enter into any leases or any other kind of agreements granting the use or enjoyment to the Property or transferring title to the Property, without Buyer's prior written consent. Seller will not actively market or advertise the Property for sale unless and after this Agreement is terminated as contemplated herein. Additionally, Seller shall not, without the prior written approval of Buyer:

- (a) make any alterations or additions to the Property except as required for maintenance and repair, or required by this Agreement;
- (b) change or attempt to change, directly or indirectly, the current industrial zoning of the Property; or
- (c) cancel, amend or modify any license or permit held by Seller with respect to the Property or any part thereof which would be binding upon Buyer after the Closing.

- (d) from the date of this agreement through the Closing date, Seller shall maintain the property in its current condition, shall comply with all laws in connection with the Property.

Ninth. Eviction and hidden title defects. Upon execution of the Transferring Title Deed, Seller shall guarantee absolute fee simple title over the Property in the event of eviction pursuant to Article 2003 of the Civil Code for the State of Chihuahua.

The sale of the Property shall be conducted "AS IS," "WHERE IS," "WITH ALL FAULTS" and in its current condition. Except for Seller's warranty of title to the Property and any other express warranty or unless otherwise stated herein, Seller makes no other representations or warranties with respect to, and shall have no liability for: (1) the condition of the Property or any building, structure, or improvements thereon or the suitability, habitability, merchantability or fitness of the Property for Buyer's intended use or for any use whatsoever; (2) compliance with any building, zoning or fire laws or regulations or with respect to the existence of or compliance with any required permits, if any, of any governmental agency; (3) the availability or adequacy of any water, sewer, or utility rights and (4) the accuracy of any plans and specifications, reports, or other materials provided to Buyer that were not prepared by Seller (provided, however, that Seller has disclosed in writing to Buyer any inaccuracies in such documents and materials that are known to Seller).

Buyer hereby waives any and all claims which Buyer has or may have against Seller with respect to the condition of the Property, except for breach by Seller of the representations, warranties or covenants under this Agreement or the negligence or willful misconduct of Seller or its agents.

Notwithstanding anything to the contrary herein, subsequent to the Closing, (i) the Purchase Price shall be the cap on Seller's liability for breaching its representations and warranties under this Agreement and the same shall survive the Closing for a period of one (1) year; and (ii) Seller's liability for breaching its indemnities under this Agreement shall not exceed the Purchase Price, and the same shall survive the Closing for a period of three (3) years.

Tenth. Representations. As a material inducement to Buyer to execute this Agreement and consummate this transaction, Seller, in addition to the recitals of this Agreement and other representations herein set forth, represents to Buyer that:

- (a) Seller has the full right and authority and has obtained any and all consents required to enter into this Agreement. This Agreement has been, and the documents to be executed by Seller pursuant to this Agreement shall be, authorized and properly executed and do and shall constitute the valid and binding obligations of Seller in accordance with their terms;
- (b) There is no agreement to which Seller is a party or, to Seller's knowledge, binding on Seller, which is in conflict with this Agreement. To the best of Seller's knowledge, there is no action or proceeding pending against or relating to the Property, which challenges or impairs Seller's ability to execute or perform its obligations under this Agreement;

- (c) To the best of Seller's knowledge, the Property and the use thereof does not violate any governmental law or regulation;
- (d) Seller has not entered into, and has no knowledge of, any agreement with or application to any governmental authority not mentioned herein with respect to any zoning modification, variance, exception, platting or other matter. Seller nor the Property are in violation or non-compliance with any restriction or covenant affecting the Property;
- (e) no legal proceedings, actions, condemnation, eminent domain or similar proceedings are pending with regard to the Property;
- (f) Seller has not received any notice and has no knowledge of any pending liens, special assessments, condemnations, impositions or increases in assessed valuations to be made against the Property by any governmental authority;
- (g) Any obligation, debt, tax or charge arisen out of the Property before the Closing, even if notified after the Closing, shall be the sole responsibility of Seller;
- (h) There are no contracts or agreements regarding any of the Property other than those that Seller has disclosed to Buyer and that Seller will deliver to Buyer hereunder;
- (i) The Seller has no knowledge of any condition or fact which could have a material adverse effect on the Property or its value and
- (j) To Seller's best knowledge, there are no material defects in the Property, the roof is in good condition, and the Personal Property and the operating systems serving the Property are in good working order.

As a material inducement to Seller to execute this Agreement and consummate this transaction, Buyer, in addition to the recitals of this Agreement and other representations herein set forth, represents to Seller that Buyer has the full right and authority and has obtained any and all consents required to enter into this Agreement. This Agreement has been, and the documents to be executed by Buyer pursuant to this Agreement shall be, authorized and properly executed and do and shall constitute the valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms.

All representations of the parties contained in this Agreement shall survive the Closing hereunder and continue in full force and effect through and until the Deed Transferring Title has been duly recorded with the Public Registry. All covenants contained herein shall survive the Closing and continue in full force and effect for 1 (one) year after Closing.

Eleventh. Closing. The Closing shall take place within 15 (fifteen) days after the expiration of the Due Diligence Period (as defined in Clause Second hereof). The parties hereof hereby agree that the Deed Transferring Title shall be executed by both parties on such date (henceforth indistinctively "Closing" or "Closing Date").

Closing of the transaction as contemplated by this Agreement shall be the execution of the Deed Transferring Title, substantially in the form of **Exhibit "I"**, and shall take place on or before the Closing Date. Closing may take place at such earlier time after the execution of this Agreement as Buyer may designate, but with no less than five (5) calendar days' prior written notice to Seller.

Conditional Purchase and Sales Agreement

If Buyer determines prior to the Closing that the Property is subject to any Lien or defect of title ("Defect"), Buyer may give notice of such Defect to Seller, and Seller shall promptly cure such Defect in a manner reasonably acceptable to Buyer and at Seller's sole cost prior to the Closing Date. If Seller fails so to cure such Defect, Buyer shall have the right either (i) to terminate this Agreement, in which event the Security Deposit shall immediately be refunded to Buyer, and Buyer shall have all other rights available to Buyer upon a default by Seller, or (ii) to proceed to Closing, in which event Seller shall indemnify Buyer against all losses, costs, claims, liabilities and damages arising from such Defect (including, but not limited to, all reasonable costs incurred by Buyer to cure such Defect).

In the event that there are no Defects found on the Property or the remediation thereof is waived by Buyer, the parties shall execute the Deed Transferring Title no later than on the Closing Date. Seller acknowledges that Buyer may elect to obtain a title insurance policy on the Property and Seller shall cooperate reasonably with Buyer and Buyer's title company to facilitate the issuance of such policy, including Seller's execution of a customary form of seller's affidavit.

The parties agree to execute the Deed Transferring Title and perform all acts necessary to complete the transaction agreed upon herein, no later than the Closing Date.

The Closing Date shall be mandatory for the parties hereunder, and may only be extended by the parties through a written agreement therefore.

Seller hereby agrees that, if in the absence of Buyer's express written consent therefor, Seller fails to execute the Deed Transferring Title and/or meet its other obligations hereunder in accordance with the terms set forth herein, Buyer shall then be entitled to (i) at its sole discretion, extend the Closing Date; or (ii) rescind this Agreement or demand specific performance of the Seller's obligations hereunder; and (iii) assert any other right to which the Buyer may be entitled to under this Agreement or the laws applicable hereto. Seller shall indemnify, defend and hold harmless Buyer and Buyer's affiliates, designees, agents and representatives from and against any and all loss, damage, claim, cost and expense and any other liability whatsoever incurred by Buyer by reason of any breach or default under this Agreement by Seller. If, in the absence of Seller's express written consent therefor, Buyer fails to execute the Deed Transferring Title in accordance with the terms set forth herein Seller shall be entitled to receive the Security Deposit as Seller's sole remedy for Buyer's breach or default under this Agreement.

Closing shall take place on the Closing Date on the location mutually agreeable to both Buyer and Seller.

Upon execution of Deed Transferring Title by Seller, Buyer shall pay Seller the remaining Purchase Price of the Property subject to the terms and conditions set forth in this Agreement, through wire transfer. After said payment, Buyer will sign the Deed Transferring Title.

Conditional Purchase and Sales Agreement

Upon Closing, Seller shall deliver legal and physical possession of the Property to Buyer. The Notary Public fees for the preparation of the Deed Transferring Title Public Instrument at Closing, fees for the recording of such instrument with the Public Registry of Property and Commerce in Ciudad Juarez, State of Chihuahua, as well as the fees for the preparation of the commercial appraisal required for the Closing, will be paid by Buyer. At this juncture Seller shall also deliver to the Buyer the Bill of Sale of the Personnel Property that is described in Exhibit "H".

Twelfth. Commissions and Fees. Notwithstanding any other agreement between the parties provided under this instrument, each party will be responsible for its own expenses, and those of its agents, auditors, attorneys and consultants incurred in connection with this Agreement, except for brokerage fees which the parties hereby agree that same shall be paid by Seller. Seller will pay 3% of the purchase price to Viva Real Estate Group, LLC in El Paso, Texas who is the broker designated in writing by the Buyer as their broker and 3% to Best/White de Mexico, S. de R.L. de C.V. Both Parties agree to indemnify and hold each other harmless from and against any claims by any broker, agent or other person claiming a commission or other form of compensation by virtue of this transaction. Buyer and Seller acknowledge and agree that there is no other broker, finder or intermediary with whom they have dealt in connection with this transaction.

Thirteenth. Notices. All notices required or permitted hereunder shall be in writing and shall be served on the parties at the addresses set forth herein below. Any such notices shall be either (a) sent by overnight delivery using a internationally recognized overnight courier, in which case notice shall be deemed delivered one business day after deposit with such courier, or (b) sent by telefax, in which case notice shall be deemed delivered upon confirmation of its transmission is received, or (c) sent by personal delivery, in which case notice shall be deemed delivered upon receipt. A party's address may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice.

Seller:
Lexmark Internacional, S.A. de C.V.
740 West New Circle Road
Lexington, KY 40550
United States of America

Tel.: (859) 232-4411
Attention: William S. Davis

With copy to (without constituting notification to Seller):

LexCorp Juarez, S.C.
Paseo San Jerónimo # 1665-2
Esq. Pedro Rosales De Leon
Fracc. San Jerónimo
Ciudad Juárez, Chihuahua, 32500
Tel 52(656) 227-0300 fax 52(656) 618-3001
Attention: Julio Humberto Gayou Madrigal

Buyer: Aligntech de Mexico, S. de R.L. de C.V.
C/o Align Technology, Inc.
2560 Orchard Parkway
San Jose, CA 95050
Attention: Roger E. George, Esq.

With copy to (without constituting notification to Buyer):

Bryan, González Vargas & González Baz, S.C.
Ejercito Nacional 6515
Col. El Marques
32607 Ciudad Juárez, Chihuahua
United Mexican States
Attention: Mr. Aureliano Gonzalez-Baz

Fourteenth. Miscellaneous. Buyer may assign this Agreement to any of its subsidiaries, affiliates, holdings or any other company that is a part of its corporate group, with prior written notice to Seller.

The Clauses and paragraph headings of this Agreement are for convenience only and in no way limit or enlarge the scope or meaning, construction or interpretation of the language hereof.

If any portion of this Agreement is held invalid or inoperative by a competent court, then so far as is reasonable and possible the remainder of this Agreement shall be deemed valid and operative, and effect shall be given to the intent manifested by the portion held invalid or inoperative. The failure by either party to enforce against the other any term or provision of this Agreement shall be deemed not to be a waiver of such party's right to enforce against the other party the same or any other such term or provision.

This Agreement embodies the entire agreement between the parties concerning the subject matter hereof and supersedes all prior agreements and understandings relating to the Property. This Agreement may be amended or supplemented only by an instrument in writing executed by both parties. Time is of the essence. The Seller shall not solicit, entertain nor grant any offer on the Property during the term of this Agreement.

The parties shall make no public announcement or disclosure of this Agreement or any terms herein, However, both parties may comply with any disclosure requirements pursuant to United States Federal and/or State Securities laws to which they and/or their parent companies are committed to comply with.

Should either party employ attorneys to enforce any of the provisions hereof, the party losing in any final judgment agrees to pay the prevailing party all reasonable costs, charges and expenses, including reasonable attorneys' fees, expended or incurred in connection therewith.

Unless otherwise specified, in computing any period of time described herein, the day of the act or event on which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday under Mexican labor law, in which event the period shall run until the end of the next day which is neither a Saturday, Sunday, or legal holiday. The last day of any period of time described herein shall be deemed to end at 6 p.m. Mountain Standard Time.

Conditional Purchase and Sales Agreement

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one and the same Agreement.

The parties hereto agree that this Agreement and all of its terms and conditions shall be binding and enforceable against their respective successors or assigns.

The documents attached to this Agreement form an integral part hereof and are executed by the parties as evidence of same.

In the event any controversy arises derived from this Agreement, the parties expressly submit themselves to the laws applicable in the United Mexican States, specifically to the laws of the State of Chihuahua. Likewise, they submit themselves to the jurisdiction of the competent courts of Ciudad Juarez, State of Chihuahua, expressly waiving any other venue that they have or may have by virtue of the present or future domiciles or by any other reason whatsoever.

This Agreement is executed in English and Spanish versions, both of which are one and the same Agreement, nevertheless, the parties agree that in the event of discrepancy between the English and Spanish version: (i) for all purposes other than the use hereof in a Mexican Court, the English version shall prevail; and (ii) for the use hereof in a Mexican Court, the Spanish version shall prevail; however, if there is any dispute regarding the meaning of any provision of this Agreement, then the English version of such provision shall govern.

Having read the foregoing Agreement, the parties hereto signed same in the city of El Paso, State of Texas, this 4th day of August, 2011 before the attesting witnesses.

Seller
Lexmark Internacional, S.A. de C.V.

Buyer
Aligntech de Mexico, S. de R.L. de C.V.

/s/ William Steven Davis

By: William Steven Davis
Title: Attorney-in-fact

/s/ Roger E. George

By: Roger E. George
Title: Attorney-in-fact

Witness

Witness

/s/ Ricardo Perez Terrazas

Name: Ricardo Perez Terrazas

/s/ Aureliano Gonzalez Baz

Name: Aureliano Gonzalez Baz

LIST OF EXHIBITS

Exhibit "A" Incorporation of Lexmark

Exhibit "B" Blueprint of Tract of Land No. 3

Exhibit "C" Blueprint of Tract of Land No. 4

Exhibits "D" Blueprint of Building

Exhibit "E" Certificate of Lack of Liens of Tract of Land No. 3

Exhibit "F" Certificate of Lack of Liens of Tract of Land No, 4

Exhibit "G" Zoning Certificate

Exhibit "H" Building Inventory

Exhibit "I" Deed Transferring Title

Exhibit "J" Seller's Due Diligence Documentation

Exhibit A

ANEXO "1"
27 FOLIOS

Don Jorge Antonio Alvarez Compean
Notario Publico Numero Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cd. Juarez, Chihuahua



5-10

-----VOLUMEN OCHENTA Y SIETE-----

NUMERO DOS MIL SESENTA Y SIETE.- En Ciudad Juarez, Distrito Judicial Bravo, Estado de Chihuahua, a los veinticuatro días del mes de enero de mil novecientos noventa y seis, ante mí, el Licenciado JORGE ANTONIO ALVAREZ COMPEAN, Notario Publico Número Dieciocho en actual ejercicio para este Distrito, comparecieron como Delegados Especiales de la Asamblea Constituyente, el señor Licenciado ALEJANDRO GARZA MINJARES, en su carácter de Apoderado de la sociedad extranjera denominada "LEXINGTON TOOLING CORPORATION"; y el señor Licenciado JULIO HUMBERTO GAYOU MADRIGAL, en su carácter de Apoderado de la sociedad extranjera denominada "LEXMARK MEXICO HOLDING COMPANY", INC.; y me manifestaron que desean hacer constar la PROTOCOLIZACION DEL PERMISO DE LA SECRETARIA DE RELACIONES EXTERIORES, DE LOS ESTATUTOS SOCIALES Y LA EJECUCION DE LOS ACUERDOS TOMADOS EN LA ASAMBLEA CONSTITUYENTE, que se refieren a la sociedad mercantil denominada "LEXMARK INTERNACIONAL", SOCIEDAD DE ANONIMA DE CAPITAL VARIABLE, la cual se lleva a cabo al tenor de las siguientes:-----

COTEJADO F.B.M.

COTEJADO
COTEJADO
COTEJADO

-----DECLARACIONES:-----

PRIMERA.- Los comparecientes manifiestan que se solicitaron y obtuvieron el permiso número 43000055 (cuatro, tres, cero, cero, cero, cero, cinco, cinco), expediente número 9643000047 (nueve, seis, cuatro, tres, cero, cero, cero, cero, cuatro, siete), folio 77 (siete, siete), por parte de la Secretaría de Relaciones Exteriores para la constitución de una Sociedad, documentos que me exhiben y que en unión del comprobante de pago de los derechos que causa su expedición, agrego al Apéndice de este Tomo del Protocolo a mi cargo bajo el número de la presente escritura, marcado con el número UNO.-----

SEGUNDA.- Los comparecientes me manifiestan que en ejercicio del permiso otorgado y por voluntad de sus poderdantes han

Actividad

aprobado los Estatutos que habrán de regir a la persona moral que constituye, denominada "LEXMARK INTERNACIONAL", SOCIEDAD ANONIMA DE CAPITAL VARIABLE y han tomado los acuerdos correspondientes, documento que debidamente firmado por éstos, asago al Apéndice de este Tomo del Protocolo a mi cargo bajo el número de la presente escritura, marcado con el número DOS.



Notario Público
Estado de México
Ciudad de México

CLAU S U L A S :-

PRIMERA.- Queda protocolizado para todos los efectos correspondientes, el permiso expedido por la Secretaría de Relaciones Exteriores a través del cual se autoriza la constitución de una persona moral bajo la denominación de "LEXMARK INTERNACIONAL", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, así como sus Estatutos y los acuerdos tomados en la Asamblea Constituyente, para lo cual quedan agregados dichos documentos al Protocolo a mi cargo, para su debida validez.

SEGUNDA.- La sociedad que en este acto se constituye, quedó integrada, como socios fundadores por las sociedades extranjeras denominadas "LEXINGTON TOOLING CORPORATION" y "LEXMARK MEXICO HOLDING COMPANY", INC.

TERCERA.- El señor Licenciado ALEJANDRO GARZA MINJARES, en su carácter de Apoderado de la sociedad extranjera denominada "LEXINGTON TOOLING CORPORATION" y el señor Licenciado JULIO HUMBERTO GAYOU MADRIGAL, en su carácter de Apoderado de la sociedad extranjera denominada "LEXMARK MEXICO HOLDING COMPANY", INC., ratifican el texto de los Estatutos y los acuerdos tomados en la Asamblea Constituyente.

CUARTA.- Los señores Licenciados ALEJANDRO GARZA MINJARES y JULIO HUMBERTO GAYOU MADRIGAL, Delegados de la Asamblea Constituyente, en ejecución de los acuerdos Transitorios tomados en la fundación de la sociedad, otorgan los poderes y nombramientos en favor de las siguientes personas:

a).- Del señor MICHAEL KANE, quién para el ejercicio de su



Dr. Jorge Antonio Alvarez Compañón
Abogado Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Distrito
Col. Juárez, P. R. México



cargo como Administrador Unico de la sociedad, gozará de las facultades que le concede el Artículo Décimo-Quinto de los Estatutos Sociales.-----

Al señor THOMAS C. SCHMIDT, quién para el ejercicio de cargo como Gerente General de la sociedad gozará de un Poder General para Pleitos y Cobranzas y Actos de Administración, con las facultades que se mencionan en el numeral dos, del transitorio segundo de los Estatutos Sociales.-----

En favor de los señores Licenciados JULIO HUMBERTO GAYOU MADRICAL, ARMANDO GERARDO GUTIERREZ CRUZ, SERBIO BENJAMIN RUSTAMANTE ACURA, JOSE IGNACIO SALVATORI RUIZ DE AGUIRRE, ALEJANDRO GARZA MINJARES, y MARTIN ARMANDO ARANDA GRIJALVA, concediéndoles un Poder General para Pleitos y Cobranzas, y quienes podrán actuar conjunta o separadamente con las facultades que se mencionan en el numeral tres, del transitorio segundo de los Estatutos Sociales.-----

d).- Se designa comisario de la sociedad al señor HECTOR RABAGO SALDIVAR.-----

QUINTA.- El señor Licenciado ALEJANDRO GARZA MINJARES, en su carácter de Apoderado de la sociedad extranjera denominada "LEXINGTON TOOLING CORPORATION" y el señor Licenciado JULIO HUMBERTO GAYOU MADRICAL, en su carácter de Apoderado de la sociedad extranjera denominada "LEXMARK MEXICO HOLDING COMPANY", INC., agregan que sus poderdantes como socios fundadores y en cumplimiento al permiso otorgado, convienen expresamente que "La sociedad es de nacionalidad mexicana, convirtiéndose expresamente en que todos los socios actuales o futuros, de esta sociedad quedan obligados formalmente con la Secretaría de Relaciones Exteriores a considerarse como nacionales respecto a las partes sociales que adquieran o de que sean titulares en esta sociedad, así como de los bienes, derechos, concesiones, participaciones o intereses de que ella sea titular, o bien de

COTEJADO F.B.M.

Alvarez Compañón
Número Dieciocho
SU

COPIA
FEDERACION
DISTRITO
JURAZ IV

FEDERACION
DISTRITO
JURAZ IV

los derechos y obligaciones que se deriven de los contratos que ella sea parte con autoridades mexicanas. Conviene también en no invocar, por lo mismo, la protección de sus Gobiernos, bajo la pena en caso contrario, de perder en beneficio de la Nación Mexicana las participaciones sociales que hubieren adquirido".-----

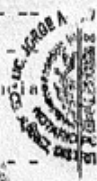


Lta. No. 1
Notario Público
Distrito J
Ciudad

----- P E R S O N A L I D A D :-----

-- Para acreditar el carácter que ostentan y la existencia legal de sus representados, me exhiben y doy fé tener a vista, los siguientes documentos:-----

a).- El señor Licenciado ALEJANDRO GARZA MINJARES, ESPECIAL, de fecha veintidos de enero de mil novecientos noventa y seis, ratificado en la misma fecha ante la fe de la señorita Mary Ellen Antonacci, Notario Público autorizado para actuar en el Contado de Fairfield del Estado de Connecticut, Estados Unidos de América, otorgado en su favor por el señor John S. Garnett, en representación de la sociedad extranjera denominada "LEXINGTON TOOLING CORPORATION", que le concede las siguientes facultades: "a) Comparezca, ante el Notario Público de su elección en la República Mexicana, a otorgar el acta constitutiva de una sociedad anónima, con las características que le ha comunicado el mandate; b).- Suscriba y pague total o parcialmente en el acto de la constitución o posteriormente la acción representativa del capital social; c).- Celebre con la Secretaría de Relaciones Exteriores el convenio a que se refiere la fracción I del Artículo 27 de la Constitución Política de los Estados Unidos Mexicanos, respectivamente de dicha sociedad por constituirse y de las acciones que suscriba en nombre del otorgante; d).- Convenga y otorgue todos los demás términos y condiciones de la escritura constitutiva y estatutos de la sociedad, y para que designe a los consejeros, comisarios, funcionarios y apoderados que fuere necesario o conveniente para el funcionamiento de la sociedad



Dr. Jorge Antonio Alvarez Compadre
Abogado Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Col. Juárez, Chihuahua

- 3 -



y para que fije las atribuciones y obligaciones de las
de las antes mencionadas; conforme a instrucciones del
Mandante; e).- En general, haga todo cuanto sea necesario a
fin de constituir legalmente la sociedad a que este poder se
refiere, según instrucciones del Mandante.- El presente poder
otorga de conformidad con lo establecido por el Protocolo
sobre Uniformidad del Régimen Legal de los poderes, aprobado
la Resolución XLVIII de la Séptima Conferencia
Internacional Americana de la Unión Panamericana, abierto a la
firma en la sede de la Organización de los Estados Americanos
en Washington, D.C. Estados Unidos de América y aprobado por
el Senado de los Estados Unidos Mexicanos el 25 de diciembre
de 1951, según el decreto publicado en el diario oficial de la
Federación el 2 de febrero de 1952; ratificado por el
Ejecutivo Federal de los Estados Unidos Mexicanos el 12 de
junio de 1953; habiéndose depositado el instrumento de
ratificación ante la Secretaría General de la Organización de
los Estados Americanos, el 24 de junio de 1953; promulgado por
el Presidente de los Estados Unidos Mexicanos el 19 de octubre
de 1953 y publicado en el Diario Oficial de la Federación el 3
de diciembre de 1953; y de conformidad con el Artículo 2554
(dos mil quinientos cincuenta y cuatro) del Código Civil para
el Distrito Federal de los Estados Unidos Mexicanos y el
Artículo 2453 (dos mil cuatrocientos cincuenta y tres) del
Código Civil para el Estado de Chihuahua de los Estados Unidos
Mexicanos y Artículos correlativos de los ordenamientos
legales que regulan esta materia de las entidades federativas
de los Estados Unidos Mexicanos.- Dicho documento presenta la
Apostilla de la Asistente del Secretario del Estado de
Connecticut, Estados Unidos de América, con fecha veintidos de
enero de mil novecientos noventa y seis, y lo agrego al
Apéndice de este tomo del protocolo a mi cargo bajo el número
TRES.

COTEJADO F.B.M.

APLICADO
COTEJADO
COTEJADO



b).- El señor Licenciado JULIO HUMBERTO GAYOU MADRIGAL, el PODER ESPECIAL, de fecha veintidos de enero de mil novecientos noventa y seis, ratificado en la misma fecha ante la fé de la señorita Mary Ellen Antonaccl, Notario Público debidamente autorizado para actuar en el Condado de Fairfield del Estado de Connecticut, Estados Unidos de América, otorgado en su favor por el señor Vincent J. Cole, en representación de la sociedad extranjera "LEXMARK MEXICO HOLDING COMPANY", INC. concediéndole las siguientes facultades: "a) Comparezca, ante el Notario Público de su elección en la República Mexicana, a otorgar el acta constitutiva de una sociedad anónima, con las características que le ha comunicado el mandante; b).- Suscriba y pague total o parcialmente en el acto de la constitución o posteriormente 999 acciones representativas del capital social; c).- Celebre con la Secretaría de Relaciones Exteriores el convenio a que se refiere la fracción I del Artículo 27 de la Constitución Política de los Estados Unidos Mexicanos, respecto de dicha sociedad por constituirse y de las acciones que suscriba en nombre del otorgante; d).- Convenza y otorgue todos los demás términos y condiciones de la escritura constitutiva y estatutos de la sociedad, y para que designe a los consejeros, comisarios, funcionarios y apoderados que fuere necesario o conveniente para el funcionamiento de la sociedad y para que fije las atribuciones y obligaciones de las personas antes mencionadas; conforme a instrucciones del Mandante; e).- En general, haga todo cuanto sea necesario a fin de constituir legalmente la sociedad a que este poder se refiere, según instrucciones del Mandante.- El presente poder se otorga de conformidad con lo establecido pro el Protocolo sobre Uniformidad del Régimen Legal de los poderes, aprobado en la Resolución XLVIII de la Séptima Conferencia Internacional Americana de la Unión Panamericana, abierto a la firma en la sede de la Organización de la de

U.S. FRANKING MACHINE
L. J. Ante
Notario Público
Distrito J
Ciudad

NOTARIO PÚBLICO
JULIO HUMBERTO GAYOU MADRIGAL
CALLE DE LA UNIÓN 100
CIUDAD DE GUAYMAS, SONORA



Dr. Jorge Antonio Alvarez Compadre
Abogado Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravos
Caj. Juárez, Chihuahua



o Alvarez Compadre
Número Dieciocho
Lic. Juárez
Caj. Juárez, Chihuahua

NOTARIO PUBLICO
LIC. FRANCISCO BUNCIAGA
NOTARIO PUBLICO No. 1000
Caj. Juárez, Chihuahua
DISTRITO BRAVOS

sustitución y a la fecha existe validamente y que el acto en relación al cual se otorga el poder consignado en el presente documento esta incluido dentro de sus fines corporativos, según se desprende de las documentales que al efecto exhibió el compareciente, misma que tuve a la vista y a las que me remito.- Dicho documento presenta la Apostilla de la competente del Secretario del Estado Connecticut, Estados Unidos de América, con fecha veintidos de enero de mil novecientos noventa y seis, y lo agrego al Apéndice de este como del protocolo a mi cargo bajo el número CUATRO.-----
o).- De los Estatutos que se protocolizan se desprende el carácter de los comparecientes como Delegados para intervenir en el acto para ejecutar los acuerdos de la Asamblea Constitutiva y otorgar los poderes en ella decretados.-----

----- PROTESTA DE REPRESENTANTES -----

--- Que bajo protesta de decir verdad, me manifiestan los comparecientes, que el carácter que ostentan no les ha sido revocado, modificado, restringido o limitado en forma alguna.-----

----- YO, EL NOTARIO DOY FE Y CERTIFICO:-----

- a).- Del conocimiento personal que tengo de los comparecientes y que a mi juicio tienen capacidad legal para contratar y obligarse.-----
- b).- Que por sus generales me manifestaron ser mexicanos: el señor Licenciado ALEJANDRO GARZA MINJARES, originario de esta ciudad, nació el día dieciocho de enero de mil novecientos sesenta y nueve, soltero, Abogado, con Registro Federal de Contribuyentes número GAMA-690118, con domicilio en Calle Paseo San Jerónimo número mil seiscientos sesenta y cinco guión, uno, esquina con Pedro Rosales, en esta ciudad; el señor Licenciado JULIO HUMBERTO GAYOU MADRIGAL, originario de México, Distrito Federal, en donde nació el día dos de Septiembre de mil novecientos sesenta y uno, casado con la

COTEJADO F.B.M.

COTEJADO

COTEJADO

señora María Cristina Gómez Landeros de Gayou, el día diecinueve de Enero de mil novecientos ochenta y cinco, en Jalapa, Veracruz, bajo el Régimen de Sociedad Conyugal, Abogado, con Registro Federal de Contribuyentes número GAMH-610902, con domicilio en Avenida Rafael Pérez Serna número seis mil setecientos cincuenta y cinco de esta ciudad. - -

c).- Que lo inserto y relacionado en esta escritura es fiel y correctamente con sus originales que tuve a la vista a los cuales me remito. - - - - -

d).- Que advertí a los comparecientes en los términos del artículo ciento veintisiete del Reglamento de la Ley General de Población, sobre la obligación que los administradores extranjeros de obtener la autorización para el desempeño de esta actividad por parte de la Secretaría de Gobernación. - - - - -

e).- Que advertí a los compareciente sobre el plazo que tiene para inscribir esta persona moral ante el Registro Nacional de Inversión Extranjera, y que habrá de acreditar lo anterior o comprobar su trámite, pues en caso contrario habrá de hacerlo saber a dicha dependencia para que de ser procedentes imponga las sanciones que contempla la Ley de Inversión Extranjera. - -

f).- Que por mandato de Ley, hago constar en el presente instrumento el tenor de los artículos dos mil cuatrocientos cincuenta y tres del Código Civil del Estado de Chihuahua, y dos mil quinientos cincuenta y cuatro del Código Civil para el Distrito Federal y para toda la República en materia federal, de idéntica redacción, que a la letra dicen: "En todos los poderes generales para pleitos y cobranzas, bastará que se diga que se otorga con todas las facultades generales y las especiales que requieran cláusula especial conforme a la Ley, para que se entiendan conferidos sin limitación alguna. En los poderes generales para administrar bienes, bastará expresar que se dan con ese carácter para que el apoderado



Cia. Jorge Antonio Alvarez Compadre
Oficio Público Número Dieciocho
y del Patrimonio Inmueble Federal
Oficio Judicial Bravos
Cd. Juárez, Chihuahua



- 5 -

tena toda clase de facultades administrativas. En los poderes generales, para ejercer actos de dominio, bastará que se den el carácter para que el apoderado tenga todas las facultades de dueño, tanto en lo relativo a los bienes, como para hacer toda clase de gestiones a fin de defenderlos. Cuando se quieran limitar en los tres casos antes mencionados, las facultades de los apoderados, se consignarán las limitaciones o los poderes serán especiales.- Los Notarios insertarán este Artículo en los testimonios de los poderes que otorgan".

LE I.D.O. que fué el presente instrumento, sin haberle dado explicación a los comparecientes por ser peritos en derecho, éstos se manifestaron conforme con su contenido, firmando en unión del suscrito Notario que autoriza reventivamente el día de su otorgamiento.- DOY FE.- Dos firmas ilegibles que corresponden a los comparecientes.- Mi firma y mi sello de autorizar.

---AUTORIZACION DEFINITIVA---

En el lugar de su otorgamiento, a los Doce días del mes de febrero de mil novecientos noventa y seis, autorizo definitivamente la escritura del pie por haberse cumplido con los requisitos legales aplicables, agregando al Apéndice de este Libro, bajo el número Cinco Aviso Dirigido al Registro Nacional de Inversiones Extranjeras; Seis Nota enviada a la Recaudación de Rentas Local.- DOY FE.- Mi firma y mi sello de autorizar.

---DOCUMENTOS DEL APENDICE---

- "UNO"--- PERMISO EXPEDIDO POR LA SECRETARIA DE RELACIONES EXTERIORES Y COMPROBANTE DE PAGO DE DERECHOS.---
- "DOS"--- ESTATUTOS.---
- "TRES"--- PODER OTORGADO AL SEÑOR LICENCIADO ALEJANDRO GARZA MINJARES.---
- "CUATRO"--- PODER OTORGADO AL SEÑOR LICENCIADO JULIO HUMBERTO GAYOU MADRIGAL.---
- "CINCO"--- AVISO DIRIGIDO AL REGISTRO NACIONAL DE INVERSIONES

COTEJADO F.B.M.

COTEJADO
COTEJADO
COTEJADO



EXTRANJERAS.

---"SEIS" --- NOTA ENVIADA A LA RECAUDACION DE RENTAS LOCAL.



Lic. Jorge Am
Notario Públi
Distrito
Ciudad



PODER JUDICIAL D
JUZGADO 4o
SECCION 11111
CD. JUAN

Lic. Jorge Antonio Alvarez Compadre
Notario Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cd. Juárez, Chihuahua

- 6 -



Alvarez Compadre
Alvarez Dieciocho
Alvarez Bravo
Alvarez Chih.
Alvarez 2067



SECRETARÍA DE RELACIONES EXTERIORES
MÉXICO

VOL. 87

LIBRO

PERMISO 43000055
EXPEDIENTE 964300047
FOLIO 77

En atención a la solicitud presentada por el

C. LIC. ALEJANDRO GARZA MINJARES

esta Secretaría concede el permiso para constituir una S.A. DE C.V.

bajo la denominación LEXMARK INTERNACIONAL, S.A. DE C.V.

Este permiso quedará condicionado a que en la Escritura Constitutiva se inscriba la cláusula de exclusión de extranjeros prevista en el Artículo 30 del convenio que señala el Artículo 31, ambos del Reglamento de la Ley para Promover la Inversión Mexicana y Regular la Inversión Extranjera.

El Notario o Corredor Público ante quien se haga uso de este permiso, deberá dar aviso a la Secretaría de Relaciones Exteriores dentro de los 90 días hábiles a partir de la fecha de autorización de la Escritura Pública correspondiente.

Lo anterior se consigna con fundamento en los artículos 27, Fracción I, de la Constitución Política de los Estados Unidos Mexicanos, 18 de la Ley de Inversión Extranjera y en los términos del Artículo 28 fracción V de la Ley Orgánica de la Administración Pública Federal.

Este permiso dejará de surtir efectos si no se hace uso del mismo dentro de los 90 días hábiles siguientes a la fecha de su expedición y se carga sin perjuicio de lo dispuesto por el artículo 91 de la Ley de la Propiedad Industrial.

CD. JUÁREZ, CHIH., a 17 de ENERO de 1996

BUFRAGIO EFECTIVO. NO REELECCION

FRANCISCO BURCIARA
NOTARIO PÚBLICO
C.D. JUÁREZ, CHIH.



PA-1
1265

COTEJADO F.B.M.

COTEJADO
COTEJADO
COTEJADO

DECLARACIONES DE PAGO
DE DERECHOS
POR CERTIFICACIONES
REPOSICIONES, ETC.

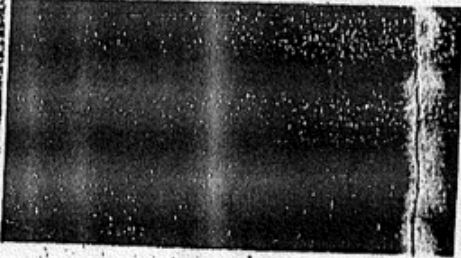


SECRETARIA DE RELACIONES EXTERIORES
C.A. VIAL VALENZUELA

ITEM	DESCRIPCION DEL CONCEPTO	IMPORTE A PAGAR
1	SECRETARIA DE RELACIONES EXTERIORES	
2	IMPORTE DEL CONCEPTO 1	
3	IMPORTE TOTAL	597650



Lic. Jorge Aní
Notario Público
Distrito de
Lima



SECRETARIA DE RELACIONES EXTERIORES
C.A. VIAL VALENZUELA

10 DE
MAYO

Cia. Jorge Antonio Alvarez Compesán
Activo Público Número Dieciocho
y del Tomo Inmueble Federal
Judicial Bravo
1993, Chilevalua
- 7 -



ESC. 2067 07 DCA
VAREZ COMPESAN
Activo Público
Número Dieciocho
Bravo
Chile
VAREZ COMPESAN
Activo Público
Número Dieciocho
Bravo
Chile

ESTATUTOS
CAPITULO PRIMERO

DENOMINACIÓN, OBJETO, DOMICILIO, DURACIÓN Y NACIONALIDAD

ARTICULO PRIMERO.- DENOMINACIÓN.
Esta sociedad es de naturaleza mercantil, organizada de acuerdo con las leyes de los Estados Unidos Mexicanos, se denominará LEXMARK INTERNACIONAL y esta denominación irá seguida de las palabras SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, o de su abreviatura S.A. DE C.V.

ARTICULO SEGUNDO.- OBJETO

- La sociedad tendrá por objeto:
- 1.- Operar, en uno o más establecimientos industriales en los términos del artículo cuatro de la Ley de Inversión Extranjera publicada en el Diario Oficial de la Federación el 27 de diciembre de 1993, y con apego a lo establecido por el artículo 6 (sexto) del Reglamento de la Ley para Promover la Inversión Mexicana y Regular la Inversión Extranjera publicada en el Diario Oficial de la Federación el 16 de mayo de 1989, a efecto de que la sociedad pueda llevar a cabo dentro o fuera de sus instalaciones, la producción, manufactura o ensamble de todo tipo y clase de productos, partes, componentes y demás productos relacionados eléctricos y electrónicos.
 - 2.- Comercio en general, incluyendo sin limitar, la compra, venta, importación, exportación y distribución de todo tipo de bienes y productos por cuenta propia o por cuenta de terceros.
 - 3.- La promoción, organización y administración de toda clase de empresas civiles o comerciales.

COTEJADO F.B.M.

COTEJADO COTEJADO

H6 [Signature]



Lic. Jorge Arriola
Notario Público No.
Distrito
Ciudad Juárez

---4).- Obtener el registro de marcas, nombres comerciales, y adquirir o enajenar todo tipo de derechos de propiedad industrial y derechos de autor; así como obtener u otorgar licencias y autorizaciones para el uso y explotación de todo tipo de derechos de propiedad industrial y de autor.-----

---5).- Obtener u otorgar préstamos con o sin garantía y emitir, aceptar, garantizar, adquirir, endosar y en general transmitir todo tipo de títulos de crédito conforme a la Ley, así como garantizar en cualquier forma obligaciones de terceros.-----

---6).- Adquirir la propiedad o arrendar y poseer o utilizar bajo cualquier título y en la medida en que lo permitan las leyes aplicables, todo tipo de bienes muebles o inmuebles que puedan ser necesarios para desempeñar los fines sociales.-----

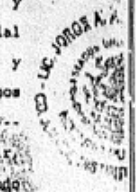
---7).- En general celebrar, dentro o fuera de la República Mexicana, por su propia cuenta y nombre o por cuenta y nombre de terceros, todo tipo de actos, contratos, convenios ya sean civiles o mercantiles, principales accesorios o de cualquier otra naturaleza conforme a derecho.-----

ARTICULO TERCERO.- DOMICILIO.-----

---El domicilio de la sociedad será en Ciudad Juárez, Estado de Chihuahua aunque la sociedad podrá establecer las agencias, sucursales, corresponsalias o representaciones que establezca o pueda establecer en cualquier otro lugar de los Estados Unidos Mexicanos o del extranjero, sin perjuicio de la facultad del Consejo de Administración o Administrador Unico, según sea el caso, de designar domicilios convencionales para operaciones o actos

H6

COL



2. Comp...
Diciem...
27 de
hij.



En el nombre de
Alvaro Compadre
Numero Dieciséis
y del Poder Judicial
Judicial de Pinar
del Estado, Pinar del Rio



- 8 -

- 3 -

concretos.-----

ARTICULO CUARTO. - DURACION.-----

---La duración de la sociedad será de noventa y nueve años que comenzarán a correr y contarse a partir de la firma de estos estatutos.-----

ARTICULO QUINTO. - NACIONALIDAD.-----

---La sociedad es de nacionalidad mexicana, conviniéndose expresamente en que todos los socios extranjeros, actuales o futuros, de esta sociedad quedan obligados formalmente con la Secretaría de Relaciones Exteriores a considerarse como nacionales respecto a las acciones que adquieran o de que sean titulares en esta sociedad, así como de los bienes, derechos, concesiones, participaciones o intereses de que ella sea titular, o bien de los derechos y obligaciones que deriven de los contratos que ella sea parte con autoridades mexicanas. Conviene también en no invocar, por lo mismo, la protección de sus Gobiernos, bajo la pena en caso contrario, de perder en beneficio de la Nación Mexicana las participaciones sociales que hubieran adquirido.-----

---Lo anterior aparecerá consignado en las acciones que al efecto se emitan.-----

CAPITULO SEGUNDO-----

CAPITAL SOCIAL Y ACCIONES-----

ARTICULO SEXTO. - CAPITAL.-----

---El capital de la sociedad será variable.-----

---El capital mínimo fijo lo constituye la cantidad de \$50,000.00 (CINCUENTA MIL PESOS) Moneda Nacional, representado por 1,000 (MIL)

COTEADO F.B.M.

COTEADO
COTEADO
COTEADO

AREZ COMPADRE
D. O. No. 107349

INSTRUMENTO
1950
27 de Julio

Lic. Not. Antel
N.º Público
Distrito J
Ciudad J



y montos, dentro del aumento autorizado.-----

---2.- El capital social no podrá reducirse a menos del mínimo fijo que señala el Artículo sexto de estos estatutos.-----

---3.- La asamblea que acuerde la disminución de capital fijará las condiciones en que ésta se llevará a cabo.-----

---4.- Todas las reducciones del capital variable se harán por acciones íntegras y de acuerdo con lo establecido en los siguientes párrafos:-----

---a).- Tan pronto como se decreta una reducción, la resolución deberá notificarse a cada uno de los accionistas concediéndoles el derecho para amortizar sus acciones, en proporción a la disminución del capital decretado. El derecho antes referido deberá ejercitarse dentro de los quince días siguientes al recibo de la notificación de la disminución de capital decretado.-----

---b).- Si dentro del término establecido hubiere alguna petición de reembolso por el número de accionistas que corresponda al capital que va a reducirse, se reembolsará a los accionistas que lo soliciten en la fecha en que se hubiere determinado.-----

---c).- Si las solicitudes de reembolso excedieran del capital amortizable, el monto de la reducción se distribuirá para su amortización entre los solicitantes, en proporción al número de acciones que cada uno haya ofrecido para su amortización y se procederá al reembolso en la fecha que se hubiere determinado.-----

---d).- Si las solicitudes hechas no completaren el número de acciones que debieran ser amortizadas, se reembolsarán las acciones de los accionistas que así lo solicitaren y se designará por

HC

PL

LIC. JORGE A. ...
SECCION AA

SECCION AA
MESA
CD. PLAMP.

Compañía
D. S. 1910
Sociedad
Chile

La Compañía - Alvarez Compañía
Statuto Social Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cd. Juárez, Chihuahua



- 9 -



anotarán los nombres, domicilio y nacionalidad de los accionistas, expresando las características y demás particularidades de las acciones, los cambios y transmisiones de las mismas.-----

La sociedad solo reconocerá como accionista a quien aparezca inscrito como tal en el libro de registro de acciones.-----

ARTICULO NOVENO.- TRANSMISIÓN DE ACCIONES.-----

--Las acciones y los derechos de propiedad de las mismas serán transferibles mediante endoso y entrega del título, sin perjuicio de que puedan transmitirse por otro medio legal.-----

--La propiedad de las acciones y transmisión de las mismas serán reconocidas por la sociedad cuando sean inscritas en el libro de registro de acciones.-----

ARTICULO DÉCIMO.- AUMENTO Y DISMINUCIÓN DEL CAPITAL SOCIAL.-----

--Solamente la asamblea general extraordinaria de accionistas podrá acordar los aumentos o disminuciones de capital.-----

--Las variaciones del capital por encima del mínimo fijo se registrarán por las siguientes disposiciones:-----

1.- La misma asamblea que acuerde el aumento de capital, resolverá sobre la forma y términos en que dicho aumento deba ser suscrito y pagado, pero ningún aumento nuevo podrá decretarse antes de que sea pagado íntegramente el aumento anterior.-----

--La asamblea podrá asimismo autorizar al consejo de administración o al administrador único a colocar en el mercado, respetando siempre el derecho preferente de los accionistas, las acciones representativas de dicho aumento de capital e inclusive podrá autorizarlos a colocarlas a su discreción, en cuanto a plazos

COTEJADO F.B.M.

COTEJADO COTEJADO

FEDERACION
DISTRITO
I AREA IV
1910.



y montos, dentro del aumento autorizado.-----

---2.- El capital social no podrá reducirse a menos del mínimo fijo que señala el Artículo sexto de estos estatutos.-----

---3.- La asamblea que acuerde la disminución de capital fijará las condiciones en que ésta se llevará a cabo.-----

---4.- Todas las reducciones del capital variable se harán por acciones íntegras y de acuerdo con lo establecido en los siguientes párrafos:-----

---a).- Tan pronto como se decreta una reducción, la resolución deberá notificarse a cada uno de los accionistas concediéndoles el derecho para amortizar sus acciones, en proporción a la disminución del capital decretado. El derecho antes referido deberá ejercitarse dentro de los quince días siguientes al recibo de la notificación de la disminución de capital decretado.-----

---b).- Si dentro del término establecido hubiere alguna petición de reembolso por el número de accionistas que corresponden al capital que va a reducirse, se reembolsará a los accionistas que lo soliciten en la fecha en que se hubiere determinado.-----

---c).- Si las solicitudes de reembolso excedieran del capital amortizable, el monto de la reducción se distribuirá para su amortización entre los solicitantes, en proporción al número de acciones que cada uno haya ofrecido para su amortización y se procederá al reembolso en la fecha que se hubiere determinado.-----

---d).- Si las solicitudes hechas no completaren el número de acciones que debieran ser amortizadas, se reembolsarán las acciones de los accionistas que así lo solicitaren y se designará por

16

Cia. Jorge Antonio Alvarez Compadre
Activo Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cd. Juárez, Chihuahua



34

- 10 -



COMPRAR
EN
CO
BRAVOS

- 7 -

sorteo, ante notario o corredor titulado, al resto de las acciones que deban amortizarse hasta completar el monto en que se haya acordado la disminución del capital.

---e). En todo caso el retiro, parcial o total, de acciones de un socio no surtirá efectos sino hasta el fin del ejercicio anual en curso, si la notificación o el sorteo se hacen antes del último trimestre de dicho ejercicio y hasta el fin del ejercicio siguiente, si se hiciera después.

---5). Las variaciones del capital deberán anotarse en el libro de registro que para tal efecto lleve la sociedad.

---6). No será necesaria la protocolización ante notario de los acuerdos referentes a variaciones de capital por encima del mínimo fijado.

ARTÍCULO DÉCIMO PRIMERO.- DERECHO DE PREFERENCIA

---1). Los accionistas tendrán derecho de preferencia para suscribir las nuevas acciones que se emitan en caso de aumento de capital social, y en proporción al número de acciones que posean.

---El derecho de preferencia a que alude el párrafo que antecede deberá ejercitarse dentro de los 15 (quince) días siguientes a la fecha de publicación en el Diario Oficial de la Federación o en uno de los periódicos de mayor circulación del domicilio de la sociedad, del acuerdo de la asamblea sobre el aumento del capital social. Transcurrido este plazo, las acciones de la nueva emisión representativas del aumento del capital social y que no hubieren sido suscritas por los socios, serán ofrecidas libremente al público.

COTEJADO F.B.M.

COTEJADO COTEJADO COTEJADO

Handwritten initials and a signature.

Lic. Jorge F.
Notario P.
Distrito J.
Ciudad J.



Antón
Unico
Distrito J.
Ciudad J.



---2.- Los accionistas tendrán el derecho de preferencia para comprar bajo los mismos términos y condiciones, las acciones representativas del capital social que sean ofrecidas por otros accionistas de conformidad a las reglas aquí establecidas.-----
---Queda entendido que cualquier sociedad que sea accionista, podrá comprometer sin limitación alguna, sus acciones en esta sociedad con cualquier sociedad en la cual posea la mayoría de las acciones, o en la cual haya adquirido la mayoría de las acciones de los accionistas de otra sociedad, con la cual se fusione.-----
---3.- Si varios accionistas estuvieran interesados en adquirir las acciones que sea han ofrecido en venta, este derecho de preferencia será dividido entre ellos en proporción al número de acciones que cada uno detenta.-----
---4.- Para lo anterior, cuando un accionista desee vender sus acciones, él deberá notificar por escrito al Administrador Unico o al Presidente del Consejo de Administración, según sea el caso, de lo anterior, informando el precio por el cual tiene una oferta y adjuntando el documento con el cual se acredita dicha oferta; y si la transacción se va a realizar entre accionistas, el precio en el cual desea vender. El Administrador Unico o el Presidente del Consejo de Administración notificará a los otros accionistas en el domicilio que aparezca para ellos en el Libro de Registro de Accionistas, por correo certificado, con acuse de recibo lo anterior, quienes tendrán 30 (treinta) días después de haber recibido la notificación, para manifestar al Secretario del Consejo o al Administrador Unico, su decisión de comprar y el número de

16
J

Dr. Jorge Antonio Alvarez Compadre
Abogado Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Ciudad Juárez, Chihuahua



- 11 -

Compu
Dialo
nos
nir



COMPADRE
ALVAREZ
CIUDAD JUÁREZ
CHIHUAHUA

COTEJADO F.B.M.

COTEJADO
COTEJADO

acciones que ellos desean adquirir.
---5.- Si el resto de los accionistas no desean ejercitar su derecho durante el término antes mencionado, o no lo ejercitan por todas las acciones ofrecidas, el accionista que desee vender podrá libremente hacerlo con respecto a aquellas acciones por las cuales el derecho de preferencia no se ejercitó.
---6.- La sociedad no registrará ninguna transferencia de acciones en el Libro de Registro de Accionistas, ni reconocerá al comprador como accionista, a menos que se pruebe que los requisitos antes mencionados se han cumplido.
CAPITULO TERCERO
ADMINISTRACION
ARTICULO DÉCIMO SEGUNDO.- ADMINISTRACIÓN DE LA SOCIEDAD
7.1.- La administración y representación de la sociedad estará a cargo de un administrador único o de un consejo de administración
---La asamblea podrá acordar libremente la forma de la administración social. En caso de acordarse que sea consejo de administración, la asamblea tendrá facultades para determinar el número de miembros que habrá de integrar dicho consejo, así como para designar a sus integrantes.
---El administrador único o los miembros del consejo de administración durarán en su cargo un año, pero continuarán en el mismo mientras no se efectúen nuevos nombramientos y los nuevos designados no tomen posesión de sus cargos. Podrán ser re-electos una o varias veces y la asamblea podrá revocar en todo tiempo sus nombramientos.

H
H



Co. Jorge T.
Julio Pú
Dist.
Ciud

Mo. Jorge
Notario
Distrito J.
Ciudad J

---En caso de que la administración recaiga en un consejo, la asamblea podrá nombrar un suplente para cada uno de los consejeros.

---El administrador único o los miembros del consejo de administración serán designados por la asamblea ordinaria de accionistas a mayoría de votos.

---Todo accionista o grupo de accionistas que asistan a la asamblea en que haya de elegirse consejeros, podrán nombrar un consejero siempre que represente o representen cuando menos, el veinticinco por ciento del capital social.

ARTICULO DÉCIMO TERCERO.- CAUCIONES.

---La asamblea general de accionistas determinará el monto, la forma y condiciones de la garantía que deberán prestar el administrador único o los consejeros, para asegurar las responsabilidades que pudieran contraer en el desempeño de sus cargos.

ARTICULO DÉCIMO CUARTO.- SESIONES DEL CONSEJO.

---El consejo de administración se reunirá cuantas veces sea necesario o se instruya por los accionistas y será convocado por su presidente, o por dos o más de sus miembros, funcionará válidamente con la asistencia de la mayoría de sus miembros y sus resoluciones se tomarán por mayoría de votos. En caso de empate, el presidente tendrá voto de calidad.

---De cada sesión del consejo se levantará acta en la que se consignarán las resoluciones; acta que firmarán el presidente y el secretario. Las copias certificadas o extractos de las actas del consejo que sea necesario expedir por cualquier motivo, serán

116

PODER
JUC

CO. JORGE T. A. S. V.
NOTARIO
DISTRITO J.
CIUDAD J.

Dr. Jorge Antonio Alvarez Compedro
Abogado Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cd. Juárez, Chihuahua



- 12 -

por Compro
n Diccipol.
Bravo
Chih.



por Compro
n Diccipol.
Bravo
Chih.

COPIADO
19
JUÁREZ, CHIH.

- 11 -

autorizadas por los mismos funcionarios.-----
---Las sesiones se podrán celebrar por teléfono o mediante
consentimiento por escrito de los miembros del consejo, y se podrán
llevar a cabo en dónde sea que los miembros del consejo lo
consideren conveniente, tal y como se establece en la Ley General
de Sociedades Mercantiles.-----

**ARTICULO DÉCIMO QUINTO.- FACULTADES DEL ADMINISTRADOR ÚNICO O DEL
CONSEJO DE ADMINISTRACIÓN.**-----

---El administrador único o en su caso el consejo de
administración, tendrán la representación de la sociedad, pudiendo
realizar todas las operaciones inherentes al objeto social y en
forma enunciativa y no limitativa, estarán investidos de las
siguientes facultades:-----

- 1).- Representar a la sociedad ante toda clase de autoridades,
federales, estatales o municipales, administrativas o judiciales,
o ante árbitros o arbitradores y ante las autoridades del trabajo,
en los términos del Artículo once de la ley federal del trabajo,
con las atribuciones propias del mandato para pleitos y cobranzas,
en los términos del primer párrafo del Artículo dos mil
cuatrocientos cincuenta y tres del Código Civil para el Estado de
Chihuahua y su correlativo el Artículo dos mil quinientos cincuenta
y cuatro del Código Civil para el Distrito Federal, con todas las
facultades generales y las específicas que señala el Artículo dos
mil cuatrocientos ochenta y seis del Código citado en primer
término y su correlativo el Artículo dos mil quinientos ochenta y
siete del Código Civil para el Distrito Federal, quedando

116

COPIADO F.B.M.

COPIADO

COPIADO



facultado(s) también para iniciar, proseguir y desistirse del juicio de amparo, así como para promover querrelas, presentar denuncias, constituirse en parte civil o coadyuvante con el ministerio público, otorgar perdón y cuantas facultades se requieran en toda clase de asuntos penales.-----

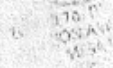
---2).- Poder general para actos de administración en los términos del segundo párrafo del Artículo dos mil cuatrocientos cincuenta y tres del Código Civil del Estado de Chihuahua, y su correlativo el Artículo dos mil quinientos cincuenta y cuatro del Código Civil para el Distrito Federal, quedando facultado(s) por lo que a esto respecta para administrar los bienes y negocios de la sociedad, con todas las facultades generales y las especiales, aún las que conforme a la ley requieran mención o cláusula especial, sin limitación alguna.-----

---3).- Poder general para actos de dominio en los términos del tercer párrafo de los Artículos dos mil cuatrocientos cincuenta y tres del Código Civil del Estado de Chihuahua y su correlativo el dos mil quinientos cincuenta y cuatro del Código Civil para el Distrito Federal, quedando autorizados para ejecutar actos de dominio respecto de los bienes y derechos de la Sociedad, tales como vender, gravar, etcétera.-----

---4).- Emitir, suscribir, otorgar, endosar, librar y avalar y en cualquier otra forma negociar títulos de crédito y obligar cambiariamente a la sociedad, en los términos del Artículo 9o. (Noveno) de la Ley General de Títulos y Operaciones de Crédito.-----

---5).- Nombrar y remover al gerente o gerentes de la sociedad y

H₆



2 Comptes
Decretos
avos
hib.

Pío Jorge Antonio Alvarez Compeda
Abogado Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cd. Juárez, Chihuahua



- 13 -



libros Comptes
nros
si Br
4. C

COMISIONADO

- 13 -

señalarles sus facultades, obligaciones y remuneraciones.-----

---6)--- En caso de que la administración se confié a un consejo, actuar en el desahogo de sus atribuciones por medio de delegados nombrados de entre sus miembros y, en su defecto, por medio de su presidente.-----

---7)--- Ejecutar los acuerdos de la asamblea, interpretarlos y proveer a su mejor aplicación y cumplimiento.-----

---8)--- Otorgar poderes con las facultades que en cada caso estimen pertinente, de las que le son propias al mismo consejo o administrador y con reserva expresa de las mismas, así como revocar poderes otorgados por la sociedad.-----

---En todo caso las facultades antes mencionadas podrán ser limitadas por la asamblea general de accionistas.-----

---En caso de que la administración se confíe a un consejo de administración, el presidente del consejo tendrá la representación y las facultades del mismo y podrá ejercitar sus facultades sin necesidad de consulta previa al consejo, sin perjuicio de que el propio consejo de administración pueda delegar las facultades que estime conveniente en cualquier otro de sus miembros.-----

ARTICULO DÉCIMO SEXTO.- GERENTE GENERAL Y FUNCIONARIOS.-----

---La asamblea ordinaria de accionistas, el administrador Único o el consejo de administración, en su caso, podrán designar a uno o varios gerentes para la mejor marcha de los negocios sociales, así como los funcionarios que se considere necesarios.-----

---El cargo de gerente general es compatible con el de consejero más no con el de administrador único, cuando ésta haya sido la

COMISIONADO F.B.M.

COMISIONADO

COMISIONADO

LA FEDERACION
DE DISTRICTOS
DE JUAREZ
C. C. M.

L. A. C. de Antio
Notario Público
Distrito J
Ciudad J

forma de administración elegida por la asamblea general ordinaria de accionistas.....

---Las facultades otorgadas a los gerentes, respecto a la representación de la sociedad, se determinarán en el momento de su designación por el órgano que los nombre, según corresponda.....

-----CAPITULO CUARTO-----

-----ASAMBLEAS DE ACCIONISTAS-----

ARTICULO DÉCIMO SÉPTIMO.- DE LAS ASAMBLEAS DE ACCIONISTAS.....

---El órgano supremo de la sociedad será la asamblea de accionistas cuyas características, funcionamiento y organización se regirán por las disposiciones siguientes:-----

---1).- CLASIFICACIÓN DE LAS ASAMBLEAS.- Las asambleas de accionistas serán ORDINARIAS Y EXTRAORDINARIAS de acuerdo con la índole de los asuntos que sean de su incumbencia.....

---a).- Las ASAMBLEAS ORDINARIAS se celebrarán cuando menos una vez al año, dentro de los primeros cuatro meses de cada año social para tratar los asuntos enumerados en el Artículo ciento ochenta y uno de la Ley General de Sociedades Mercantiles y a esa asamblea se le conocerá como la ASAMBLEA ANUAL ORDINARIA y el resto, solamente se llamarán ASAMBLEAS ORDINARIAS; y tratarán los asuntos que no sean de la competencia de las asambleas extraordinarias.....

---b).- Las ASAMBLEAS EXTRAORDINARIAS tratarán los asuntos enumerados en el Artículo ciento ochenta y dos de la Ley General de Sociedades Mercantiles.....

---2).- CONVOCATORIA PARA LAS ASAMBLEAS ORDINARIAS Y LAS EXTRAORDINARIAS.-----

H/6 J



SECCION VAMPAP
C.C. JIARU

PO.

Jorge Antonio Alvarez Compadre
Notario Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cd. Indeg, Chihuahua



- 14 -

- 15 -



---Las asambleas ordinarias y las extraordinarias serán convocadas por el administrador único o por cualquier consejero.-----
---Las asambleas de accionistas podrán ser convocadas también a petición de uno o de un grupo de accionistas en los casos y forma previstos por los Artículos ciento ochenta y cuatro y ciento ochenta y cinco de la Ley General de Sociedades Mercantiles.-----
---La convocatoria en uno y otro caso se hará mediante la publicación de un aviso con cinco días de anticipación, al menos, a la fecha de la asamblea, en el periódico oficial del domicilio de la sociedad, o en el periódico de mayor circulación del domicilio de la sociedad.-----
---En la convocatoria se contendrá la orden del día.-----
---Las asambleas ordinarias y extraordinarias podrán sesionar válidamente sin ser necesaria convocatoria cuando se encuentre íntegramente representado el capital social y los accionistas estén conformes en tratar los asuntos que se sometan a su consideración.-----
---3) QUÓRUM DE LAS ASAMBLEAS.- Para que las asambleas de accionistas puedan sesionar válidamente, se requerirá lo siguiente:-----
---a) LAS ASAMBLEAS ORDINARIAS:-----
---En PRIMERA CONVOCATORIA: con la asistencia de quienes representen cuando menos la mayoría del capital social y los acuerdos se tomarán por mayoría de las acciones representadas de la asamblea. En SEGUNDA CONVOCATORIA Y SUBSECUENTES: Las asambleas se considerarán válidas cualquiera que fuere el número de los asistentes y los acuerdos se tomarán por la mayoría de las acciones presentes.-----

COTEJADO F.B.M.

COTEJADO

COTEJADO

FEDERACION
DISTRITO
3 ABRIL 19

Uto. Jorge An
Nacional P
1911



---b).- LAS ASAMBLEAS EXTRAORDINARIAS requerirán en PRIMERA CONVOCATORIA: Una asistencia mínima del número de acciones que representen cuando menos el setenta y cinco por ciento del capital social y las resoluciones se tomarán por el voto afirmativo de las acciones que representen cuando menos la mitad del capital social. En SEGUNDA Y SUBSECUENTES CONVOCATORIAS requerirán, una asistencia mínima de quienes representen la mayoría del capital social y las resoluciones se tomarán por la mayoría de las acciones presentes.---

---4).- FUNCIONAMIENTO DE LAS ASAMBLEAS.- Las asambleas se presidas por el administrador único o el presidente del consejo de administración y en caso de inasistencia, por quien elija la asamblea, actuará como secretario quien desempeñe tal cargo en el consejo de administración en la sociedad o quien designe la asamblea, según el caso. Quien presida la asamblea nombrará entre los accionistas uno o más escrutadores que certificarán la asistencia y serán los encargados de recoger y hacer el cómputo de las votaciones.-----

---Las asambleas se podrán celebrar por teléfono o mediante consentimiento por escrito de los accionistas, tal y como establece en la Ley General de Sociedades Mercantiles.-----

---5).- ASISTENCIA Y REPRESENTACIÓN DE LOS ACCIONISTAS.-----

---Para ser admitidos a la asamblea los accionistas requie estar registrados como tales en el libro de registro de accio la sociedad.-----

---Los accionistas tendrán derecho de asistir a las er eases personalmente, o por medio de representante, bastando el

SECRETARÍA DE ECONOMÍA
LEGADO 40.1
SECCIÓN 1411
CD. JUAN L.

H6 | J

Dr. Jorge Antonio Alvarez Compadre
 Notario Público Número Dieciocho
 y del Patrimonio Familiar Federal
 Distrito Judicial de Avana
 Ed. Indígena, Cabaiguán

- 15 -



Compadre
 Dieciocho
 Avana



- 17 -

.....arta poder simple.....
 ACTAS DE LAS ASAMBLEAS Y CERTIFICACIONES.....
 ---La persona que actúe como Secretario levantará las actas de las
 asambleas que serán firmadas, cuando menos, por el funcionario que
 presida y por el Secretario, y deberán ser registradas en el Libro
 especial que para tal efecto lleve la sociedad, glosando al
 margen de las actas los documentos que se relacionen con las
 mismas.....
 ---Cuando el acta de una asamblea o de una junta, por cualquier
 circunstancia, no pueda asentarse en el antes mencionado libro
 especial, dicha acta se protocolizará ante notario público.....
 ---Con la excepción apuntada en el Artículo DÉCIMO, número 6, de
 estos estatutos las actas de las asambleas extraordinarias de
 accionistas se protocolizarán y se inscribirán en la Sección
 Comercio del Registro Público de la Propiedad correspondiente al
 domicilio social.....
CAPITULO QUINTO.....
VIGILANCIA.....
 ARTICULO DÉCIMO OCTAVO.- DE LOS COMISARIOS.....
 ---La vigilancia de la sociedad estará a cargo de un comisario que
 será nombrado por la asamblea general de accionistas.....
 ---El comisario podrá ser o no socio y durará en su cargo un año;
 pero deberá continuar en el mismo hasta en tanto no tome posesión
 quien haya de sustituirlo. Podrá ser reelecto y deberá caucionar
 su manejo en la forma prescrita para los consejeros.....
 ---La asamblea podrá nombrar un comisario suplente.....

COTEJADO F.B.M.

COTEJADO

COTEJADO

H

Lic. Jorge
Molina P.
Not.



...Los accionistas que en la asamblea general ordinaria en que se hiciera la designación de comisarios hubieren estado en minoría que represente, cuando menos, el veinticinco por ciento del capital social respecto de tal designación, podrán nombrar otro comisario. -
...Los comisarios tendrán las facultades y obligaciones que les concede la Ley General de Sociedades Mercantiles, debiendo recibir la remuneración que señale la asamblea ordinaria de accionistas. -

-----CAPITULO SEXTO-----

AÑO SOCIAL. INFORMACIÓN FINANCIERA Y APLICACIÓN DE UTILIDADES Y PERDIDAS.

ARTICULO DÉCIMO NOVENO. - AÑO SOCIAL. -
...Los ejercicios sociales concluirán el día treinta y uno de diciembre de cada año. -

ARTICULO VIGÉSIMO. - INFORMACIÓN FINANCIERA.

...Dentro de los tres meses siguientes al fin de cada ejercicio social, será presentado el informe financiero que deberá someterse a la asamblea general de accionistas para su aprobación y que se entregará al o los Comisarios con un mes de anticipación a la fecha en que deba celebrarse la asamblea. -

...Los comisarios rendirán su dictamen con las observaciones y propuestas que consideren pertinentes, el cual quedará a disposición de los accionistas, quince días antes de la fecha de celebración de la asamblea. -

...La información financiera antes mencionada deberá incluir lo que prescribe el Artículo 172 (ciento setenta y dos) de la Ley General de Sociedades Mercantiles. -

H6 J

ROC

Lic. Jorge A.
Molina P.
Notario



Dr. Jorge Antonio Alvarez Compeda
Abogado Público Número Domicilio
y del Patrimonio Inmueble Federal
Distrito Judicial Tlaxcala
Ed. Juárez, Puebla



- 16 -

- 19 -

ARTÍCULO VIGÉSIMO PRIMERO.-REPARTO DE UTILIDADES Y PERDIDAS.

Las utilidades que arroja el informe de administración anual, después de pagar impuesto sobre la renta y la participación de utilidades a los trabajadores, se distribuirán de acuerdo a las reglas siguientes:

- 1) Se tomará la cantidad que fije la asamblea ordinaria de accionistas, que nunca será inferior al cinco por ciento de las utilidades, para constituir la reserva legal, la cual se acumulará a alcanzar el valor equivalente a la quinta parte del capital social.
- 2) Los accionistas acordarán la compensación que deba corresponder a los consejeros, al administrador único y al comisario o comisarios.
- 3) Se podrá separar un tanto por ciento de las utilidades para formar o en su caso reconstituir el fondo de revaloración de utilidades.
- 4) El resto se distribuirá entre los accionistas, en proporción al número de acciones.
- 5) La asamblea de accionistas fijará la fecha en que habrá de efectuarse el pago de los dividendos decretados.
- 6) Los dividendos se pagarán a los accionistas que aparezcan inscritos en el Libro de registro de acciones en la fecha fijada para el pago del dividendo.
- 7) Los dividendos que no sean cobrados en un plazo de CINCO AÑOS contados a partir de la fecha señalada para su pago, se entenderán renunciados y caídos a favor de la sociedad.

Handwritten initials and signature

COTEJADO F.B.M.

COTEJADO

COTEJADO

Dr. Com.
Director
C. de
C. de



Y
SECRETARÍA
DE
C. de
C. de



LM. ...ge Antor
Registro Público
de San Luis
Potosí



LC. 1090
JUN 20 1900

- 8).- Las pérdidas se repartirán entre los accionistas en proporción a sus acciones y hasta el importe pagado.....
- Los fundadores de la sociedad hacen constar que no se reservan participación especial en las utilidades.....
- 9).- Cuando hubiere aumentos de capital, las acciones que se paguen para realizar dicho aumento, participarán en las utilidades solo en proporción al monto y plazo, dentro del ejercicio anual en que hubieren estado pagadas.....

CAPITULO SEPTIMO

DISOLUCION Y LIQUIDACION

ARTICULO VIGÉSIMO SEGUNDO.- DISOLUCION.
---La sociedad podrá entrar en disolución por cualesquiera de las causas que se señalan en el Artículo doscientos veintinueve y demás relativos de la Ley General de Sociedades Mercantiles.....

ARTICULO VIGÉSIMO TERCERO.- LIQUIDACION DE LA SOCIEDAD.

- Disuelta la sociedad, se pondrá en liquidación y al efecto se observarán las disposiciones siguientes:.....
- 1).- La asamblea de socios que acuerde la disolución nombrará uno o más liquidadores.....
- 2).- Una vez nombrados los liquidadores se inscribirá su nombramiento en el Registro Público de la Propiedad, Sección de Comercio y, hasta en tanto no se registre, continuará en funciones el consejo de administración o el administrador único, en su caso.....
- 3).- La asamblea que acuerde la disolución y nombre los liquidadores fijará las normas a que deba sujetarse el procedimiento de liquidación, observándose lo dispuesto por el

Handwritten signatures and initials at the bottom of the page.

RECIBI
EL 20 DE JUN
DE 1900
SECCION DE COM
C. L. 1090



a Jorge Antonio Alvarez Compadre
 Notario Público Número Dieciséis
 y del Patrimonio Inmueble Federal
 Distrito Judicial Juárez
 Chihuahua



- 17 -

- 21 -

Artículo doscientos cuarenta y siete y demás relativos de la Ley General de Sociedades Mercantiles.

---4)--- El consejo de administración o el administrador único en su caso, entregará al o los liquidadores los bienes, libros y demás documentos de la sociedad, levantándose una acta donde se detalle el activo y el pasivo de la sociedad.

---5)--- Durante el proceso de liquidación, los liquidadores serán los representantes legales de la sociedad.

VIGÉSIMO CUARTO.- COMPETENCIA

--- Los contratantes se someten a los Tribunales de Ciudad Juárez, Chihuahua para los efectos de la interpretación y cumplimiento de este contrato de sociedad, haciendo renuncia expresa a cualquier otro fuero que pudiera corresponderles aún en razón de sus domicilios presentes o futuros.

TRANSITORIOS

PRIMERO.- El capital social mínimo de \$50,000.00 (CINCUENTA MIL PESOS 00/100) moneda nacional se encuentra íntegramente suscrito y pagado en efectivo en la siguiente forma:

ACCIONISTAS	ACCIONES	VALOR
DEMARK MEXICO HOLDING COMPANY, INC.	999	\$49,950.00
LEXINGTON TOOLING CORPORATION	1	\$50.00
TOTAL	1,000	\$50,000.00

--- Lo anterior hace un total de MIL (1,000) ACCIONES suscritas y pagadas en efectivo por todos los socios, dando un total de

COTEJADO F.B.M.

PULGADO COTEJADO

COTEJADO

DERACION
 TITO
 EBA IN

Compendio
 fecha de



asimismo estará facultado para revocar poderes.-----

---3).- Se otorga a los señores Licenciados: Julio Humberto Gayou Madrigal, Armando Gerardo Gutiérrez Cruz, Sergio Benjamín Bustamante Acuña, José Ignacio Salvatori Ruiz de Aguirre, Alejandro Garza Minjares y Martín Armando Aranda Grijalva un poder general para pleitos y cobranzas, para que lo ejerzan conjunta y separadamente, ante cualquier parte y autoridad judicial, administrativa, civil, mercantil, penal o laboral, federal, estatal o municipal con las facultades generales y especiales que se requieran por Ley, sin limitación alguna, en los términos del primer párrafo del Artículo 2453 (dos mil cuatrocientos cincuenta y tres) del Código Civil vigente en y para el Estado de Chihuahua y su correlativo el Artículo 2554 dos mil quinientos cincuenta y cuatro) del Código Civil para el Distrito Federal y sus correlativos en los ordenamientos que regulan esta materia en las entidades federativas, con todas las facultades generales y las especiales que requieran cláusula especial conforme a la ley a las cuales se refiere el Artículo 2486 (dos mil cuatrocientos ochenta y seis) del Código Civil vigente en el Estado de Chihuahua, su correlativo el Artículo 2587 (dos mil quinientos ochenta y siete) del Código Civil para el Distrito Federal y su correlativo en los ordenamientos que regulan esta materia en las entidades federativas. En forma enunciativa, más no limitativa, los apoderados aquí nombrados estarán facultados para ejercer el poder que se les confiere ante toda clase de personas y autoridades judiciales, administrativas, civiles, penales y del trabajo, sean federales, estatales o municipales, facultándoseles especialmente para articular y absolver posiciones a nombre de la otorgante, en

J *[Signature]*

L. Jorge An
Notario Público
Distrito J
Ciudad



JUICIO DE I
ALCAZAR DE I
SECCION AMPARO
CO. JUANIZ.



H.P.
se Compede
o Dichoche
través
CHH.

Dr. Jorge Antonio Alvarez Compadre
Abogado Público Hímano Dicocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cd. Juárez, Chihuahua



- 18 -

- 23 -



que requieran cláusula especial conforme a la ley a las cuales se refiere el Artículo 2486 (dos mil cuatrocientos ochenta y seis) del Código Civil vigente en el Estado de Chihuahua, su correlativo el Artículo 2587 (dos mil quinientos ochenta y siete) del Código Civil para el Distrito Federal y su correlativo en los ordenamientos que regulan esta materia en las entidades federativas; facultándosele especialmente para articular y absolver posiciones a nombre de la otorgante, en juicio y fuera de él, transigir, comprometer en arbitros, dirimir controversias a través de amigables componedores, recusar, desistirse, recibir pagos y con la mayor amplitud, se le facultó para presentar quejas, querrelas y denuncias así como para constituirse en terceros coadyuvantes del Ministerio Público, otorgar perdón y en general para que inicien, prosigan y den término como les parezca, desistiéndose incluso, de toda clase de juicios, recursos, arbitrajes y en general procedimientos de cualquier orden; facultándosele también para interponer y desistirse del juicio de amparo, firmar toda clase de documentos, gestionar, promover, presentar pruebas, formular alegatos, interponer recursos, presentar toda clase de documentos e oír y recibir notificaciones.

--- Poder para firmar y suscribir todo tipo de títulos de crédito en los términos del artículo 9 de la Ley General de Títulos y Operaciones de Crédito. El presente poder se otorga con facultad expresa para que el apoderado pueda sustituir al poder que se le confiere así como otorgar poderes, con las facultades que en cada caso estime pertinente dentro de las que les han sido conferidas,

COTEJADO F.B.M.

COTEJADO
COTEJADO

H.
J.

asimismo estará facultado para revocar poderes.....

---3) Se otorga a los señores Licenciados: Julio Humberto Gayou Madrigal, Armando Gerardo Gutiérrez Cruz, Sergio Benjamín Bustamante Acuña, José Ignacio Salvatori Ruiz de Aguirre, Alejandro Garza Minjares y Martín Armando Arenda Grijalva un poder general para pleitos y cobranzas, para que lo ejerzan conjunta o separadamente, ante cualquier parte y autoridad judicial, administrativa, civil, mercantil, penal o laboral, federal, estatales o municipal con las facultades generales y especiales que requieran por Ley, sin limitación alguna, en los términos del primer párrafo del Artículo 2493 (dos mil cuatrocientos cincuenta y tres) del Código Civil vigente en y para el Estado de Chihuahua, su correlativo el Artículo 2554 dos mil quinientos cincuenta y cuatro) del Código Civil para el Distrito Federal y sus correlativos en los ordenamientos que regulan esta materia en las entidades federativas, con todas las facultades generales y las especiales que requieran cláusula especial conforme a la ley a las cuales se refiere el Artículo 2486 (dos mil cuatrocientos ochenta y seis) del Código Civil vigente en el Estado de Chihuahua, su correlativo el Artículo 2587 (dos mil quinientos ochenta y siete) del Código Civil para el Distrito Federal y su correlativo en los ordenamientos que regulan esta materia en las entidades federativas. En forma enunciativa, más no limitativa los apoderados aquí nombrados estarán facultados para ejercer el poder que se les confiere ante toda clase de personas y autoridades judiciales, administrativas, civiles, penales y del trabajo, sean federales, estatales o municipales, facultándoseles especialmente para articular y absolver posiciones a nombre de la otorgante en

[Handwritten signature]

LIC. FRANCISCO
MARTÍNEZ
DISTRITO FEDERAL

LIC. JORGE A.
MARTÍNEZ
DISTRITO FEDERAL

DE LA FE
LIC. DR. J. J. J.
MARTÍNEZ
DISTRITO FEDERAL

ADO
DISTRITO FEDERAL

Jorge
Martínez
Distrito
Federal

Jorge A.
Martínez
Distrito
Federal

Jorge Antonio Alvarez Compadre
Abogado Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cdt. Juárez, Chihuahua



- 19 -

- 25 -



juicio y fuera de él, transigir, comprometer en árbitros, dirimir controversias a través de amigables componedores, recusar, desistirse, recibir pagos y con la mayor amplitud, se les faculta para presentar quejas, querelas y denuncias así como para constituirse en terceros coadyuvantes del Ministerio Público, otorgar perdón y en general para que inicien, prosigan y den término como les parezca, desistiendo incluso, de toda clase de juicios, recursos, arbitrajes y en general procedimientos de cualquier orden, facultándoseles también para interponer y desistirse del juicio de amparo, firmar toda clase de documentos, gestionar, promover, presentar pruebas, formular alegatos, interponer recursos, presentar toda clase de documentos y oír y recibir notificaciones. Asimismo, se otorga a los citados apoderados PODER GENERAL PARA ACTOS DE ADMINISTRACION para los efectos de comparecer ante la Secretaría de Hacienda y Crédito Público y firmar cuanto documento público o privado sea necesario para llevar a cabo el registro e inscripción ante el Registro Federal de Contribuyentes de la empresa, así como para recibir la cédula de identificación fiscal y documentación correspondiente. ---
--- El presente poder se otorga con facultad expresa para que los apoderados puedan sustituir el poder que se les confiere así como otorgar poderes, con las facultades que en cada caso estimen pertinentes dentro de las que les han sido conferidas, asimismo estar facultados para revocar poderes. ---
---4) Los ejercicios sociales de la sociedad correrán el día primero de enero al día treinta y uno de diciembre de cada año a excepción del primero que se iniciará en esta fecha y concluirá el día treinta y uno de diciembre del presente año. ---

COTEJADO F.B.M.

COTEJADO

COTEJADO

Lic. Jorge A
Notario Pú
D-111
Ciudad

---5) Se designa comisario de la sociedad al señor Néctor Rabago Saldívar.

TERCERO.- Se hace constar expresamente que los funcionarios designados en este acto han aceptado sus respectivos nombramientos y cada uno de ellos ha depositado, en la caja de la sociedad, la cantidad de cincuenta pesos para caucionar el manejo de sus cargos de conformidad con lo previsto por los estatutos sociales.

CUARTO.- Los funcionarios de nacionalidad extranjera han quedado advertidos que el ejercicio en los Estados Unidos Mexicanos de sus respectivos cargos queda suspenso al previo otorgamiento por parte de la Secretaría de Gobernación, de los permisos migratorios necesarios para tal efecto.

QUINTO.- Se hace constar que el Administrador Unico se ha recibido del pago de las acciones suscritas por los socios, en los términos del Artículo PRIMERO transitorio, así como de las garantías a que se refiere el Artículo TERCERO transitorio.

SEXTO.- Los accionistas autorizan a los señores Licenciados Julio Humberto Gayou Madrigal, Armando Gerardo Gutiérrez Cruz y Alejandro Garza Minjares para que, conjunta o separadamente comparezcan ante el notario público de su elección para formalizar y realizar cualesquier otro acto necesario para protocolizar estos Estatutos, así como para que formulen, firmen y presenten todo tipo de avisos, altas y declaraciones fiscales que sean necesarios al quedar constituida esta sociedad, especialmente la inscripción en el Registro Federal de Contribuyentes.

1997-016

[Handwritten signature]

Notario Pú
Lic. Jorge A
D-111
Ciudad

DE LA FOLIA
NOTARIO PÚ
LIC. JORGE A
D-111
CIUDAD

DEPARTAMENTO DE
JUSTICIA
SECRETARÍA DE
GOBIERNO

SECRETARÍA DE
JUSTICIA
SECRETARÍA DE
GOBIERNO

SECRETARÍA DE
JUSTICIA
SECRETARÍA DE
GOBIERNO

Dr. Jorge Antonio Alvarez Compadre
Notario Publico Numero Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cd. Jalisco, Colima, Jalisco



- 20 -

12 Computa
 Diez y Seis
 1954



EXC. 2067

EX. 87

1953

Estado de Connecticut
 Condado de Fairfield

State of Connecticut
 County of Fairfield

En el Condado de Fairfield del Estado de Connecticut, Estados Unidos de América, a los 22 días del mes de enero, de 1954, ante mí Mary Ellen Antonacci Notario Público debidamente autorizado para actuar en el Estado de Connecticut, Estados Unidos de América, compareció el señor John S. Garnett y manifestó:

In the county of Fairfield, State of Connecticut, United States of America being the 22 day of January, 1954, before me Mary Ellen Antonacci, Notary Public duly authorized to act in the State of Connecticut, United States of America, Mr. John S. Garnett appeared and declared:

Que por medio del presente Instrumento y actuando en nombre y representación de LEXINGTON TOOLING CORPORATION sociedad constituida conforme a las leyes de los Estados Unidos de América, quien me acreditó sus facultades y la legal existencia de la sociedad que representa con los documentos a que con posterioridad se hará referencia, compareció a otorgar un Poder Especial en favor de ALEJANDRO GARRA HINJARRAS para que en nombre y representación de LEXINGTON TOOLING CORPORATION realice los siguientes actos:

That through this Instrument and acting on the name and behalf of LEXINGTON TOOLING CORPORATION a company incorporated pursuant to the laws of the United States of America, proving his authorities and the legal existence of the company he is representing with the documents hereinafter referred to, appears herein to grant a special power of attorney to ALEJANDRO GARRA HINJARRAS for him to carry out the following acts, on behalf and in the name of LEXINGTON TOOLING CORPORATION:

a) Comparezca, ante el Notario Público de su elección en la República Mexicana, a otorgar al acta constitutiva de una sociedad anónima, con las características que le ha comendado el mandante;

a) Appear before the Notary Public of his choice in the Mexican Republic, to execute the act of incorporation of a Mexican corporation, with the characteristics which the Principal has advised him;

b) Suscriba y pague total o parcialmente en el acto de la constitución o posteriormente la acción representativa del capital social;

b) Subscribe and totally or partially pay for at the time of organization or at a later time 1 share of the corporate capital of said company;

c) Comparezca con la Secretaría de Relaciones Exteriores al convenio que se refiere la fracción I del Artículo 27 de la Constitución Política de los Estados Unidos Mexicanos, respecto de dicha sociedad por constituirse y de las acciones que suscriba en nombre del otorgante;

c) Enter into the agreement with the Ministry of Foreign Affairs of Mexico which is referred to in section I of Article 27 of the Constitution with regard to the company to be organized and the shares subscribed on the grantors behalf;

d) Convenga y otorgue todos los demás términos y condiciones de la escritura constitutiva y estatutos de la sociedad, y para que designe a los consejeros, comisionados, funcionarios y apoderados que fuera necesario o conveniente para el funcionamiento de la sociedad y para que fije las atribuciones y obligaciones de las personas antes mencionadas, conforme a instrucciones del Mandante;

d) Agree on and execute all the other terms and conditions of the articles of incorporation and by-laws of the company, and appoint the directors, examiners, officers and attorneys-in-fact which might be necessary or advisable for the operation of the company, and establish the powers and duties of the persons mentioned hereinabove, pursuant to the instructions from his principal;

e) En general, haga todo cuanto sea necesario a fin de constituir legalmente la sociedad a que este poder se refiere, según instrucciones del Mandante.

e) In general, do everything necessary to legally organize the corporation to which this power of attorney refers, as per instructions of the principal.

El presente poder se otorga de conformidad con la establecida por el Protocolo sobre Uniformidad del Régimen Legal de los Poderes, aprobado en la Resolución XLVIII de la Séptima Conferencia Internacional Americana de la Unión Panamericana, abierto a la firma en la sede de la Organización de los Estados Americanos, en Washington.

This power of attorney is granted pursuant to the Protocol of Uniformity of the Legal Regime of the Powers of Attorney approved in the XLVIII resolution of the Seventh International American Conference of the Panamerican Union, open to its execution in the location of the Organization of the American States in

COTEJADO F.B.M.

COTEJADO COTEJADO

COTEJADO

Lic. J. de Antol
Notario



apoderado tenga todas las facultades de dueño, tanto en lo relativo a los bienes, como para hacer toda clase de gestiones a fin de defenderlos.

Quando se quieran limitar, en los tres casos antes mencionados las facultades de los apoderados, se consignarán las limitaciones o los poderes serán especiales.

Los notarios insertarán este artículo en los testimonios de los poderes que otorguen*.

IX.- Que leí el presente documento al otorgante y le explique su valor y fuerza legal.

X.- Que una vez que el otorgante manifestó su conformidad con el contenido del presente documento, lo ratificó y firmó ante mí, en esta fecha.

El anterior instrumento que consta de cuatro páginas fue firmado y ratificado ante mí Mary Ellen Antonacci, por Victor J. Cole con el carácter arriba indicado en este día 22 del mes de enero de mil novecientos veinte y tres en fe de lo anterior, puse mi firma y sello de Notario.

that character for the attorney to have all the authorities of an owner with regard to the assets, and to carry out any kind of proceedings to defend such assets.

When the authorities of the attorneys are to be limited in the aforementioned cases, the limitations shall be included or the powers shall be special.

The Notaries shall insert this article in the testimonies of powers that they grant*.

IX.- That I read this document to the granting party and I explained him its scope and legal force.

X.- That once the granting party declared its conformity with the content of this document, he ratified and executed it before me on this date.

The foregoing instrument includes four pages was executed and ratified before me Mary Ellen Antonacci by Victor J. Cole on his capacity herein above mentioned in this day 22 of January of 1923 and in witness thereof, I stamp my signature and notary seal.

SIGNATURE

Mary Ellen Antonacci
Notario Público

NOTARIO PÚBLICO PARA EL ESTADO DE
MI comisión expira el 6/30/23 del mes
de junio de mil novecientos
veinte y tres.

Mary Ellen Antonacci
NOTARY PUBLIC FOR THE STATE OF
MI commission expires on 6/30/23
of June of 1923.

STATE OF CONNECTICUT
COUNTY OF FAIRFIELD

APOSTILLE
(Convention de La Haye du 5 Octobre 1961)
M. STAMFORD

I, ETHEL K. FELDMAN Assistant Clerk of the Town of Stamford

In said County, do hereby certify that Mary Ellen Antonacci taking the same
by and before whom the foregoing (or annexed) acknowledgment was taken, was at the time a notary public (or other officer) residing (or authorized to act) in said County, and was duly qualified by the laws of said State to take and certify acknowledgments in said State, and, further, that I believe the signature to the certificate of acknowledgment is genuine.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of the State and Town this
22nd day of January 1923

513 K 700

Lra. Jorge Antonio Alvarez Compadre
Abogado Publico Abogado Notario
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cd. Juárez, Chihuahua



al cual se otorga el poder consignado en el presente instrumento esta incluido dentro de sus fines corporativos, según se desprende de las documentales que al efecto exhibió el compareciente, misma que tuve a la vista y a las que me remito.

subject matter hereof is granted, is included in its corporate purposes, according to the documents that for such purpose the appearing party has shown, same that I have seen and to which I hereby refer.

IV.- Que tuve en mi poder todos los documentos de los cuales se desprende la legal constitución de la persona moral que representa al compareciente John S. Garnett y respondo por su autenticidad.

IV.- That I have seen all the documents from which the legal incorporation of the entity hereby represented by the appearing party John S. Garnett is evidenced and I certify their authenticity.

V.- Que el otorgante, bajo protesta de decir verdad manifestó que su nombre es John S. Garnett, originario de Norwich, Connecticut de nacionalidad Estadounidense, estado civil casado (el casado) nombre del cónyuge Doris Garnett, lugar y fecha del matrimonio Alessandria, al 1 de septiembre de 1971 de ocupación empresario de 55 años de edad, domiciliario de Virginia con domicilio en Connecticut.

V.- That the granting party, under oath declared that his name is John S. Garnett, of Norwich, Connecticut nationality of United States of America, of married marital status (if married) name of the spouse Doris Garnett and place and date of marriage Alessandria, September 1, 1971, of Treasury occupation, of 55 years of age, originaly of Virginia with domicile in Connecticut.

VI.- Que el señor John S. Garnett a efecto de hacer constar su identidad me exhibe y doy fe tener a la vista un documento idóneo que devuélvase a su representante.

VI.- That Mr. John S. Garnett in order to evidence his identity shows, and I give faith of having before me the proper document for such purpose same that I return to its holder.

VII.- Que el otorgante me manifiesta, bajo protesta de decir verdad, que las facultades con que confiere no le han sido limitadas o revocadas, y que no ha variado la capacidad de su representada para este acto.

VII.- That the granting party declares under oath that the authorities with which he appears have not been limited nor revoked, and that the legal authority of its principal to grant this power has not changed.

VIII.- Que el artículo 2554 (dos mil quinientos cincuenta y cuatro) del Código Civil del Distrito Federal de los Estados Unidos Mexicanos y su correlativo el artículo 2453 (dos mil cuatrocientos cincuenta y tres) del Código Civil vigente para el Estado de Chihuahua, Estados Unidos Mexicanos, son del tenor literal siguiente:

VIII.- That Article 2554 (two thousand five hundred fifty four) of the Civil Code for the Federal District of the United Mexican States and its correlative 2453 (two thousand four hundred fifty three) of the Civil Code in force for the State of Chihuahua United Mexican States, read as follows:

En todos los poderes generales para plitos y cobranzas, bastara que se diga que se otorga con todas las facultades generales y las especiales que requieren cláusula especial conforme a la ley, para que se entiendan conferidos sin limitación alguna.

In all the general powers for lawsuits and collections, it shall be enough to mention that they are granted with all the general authorities and the special authorities that require specific clause pursuant to law, to be understood, as granted without limitation whatsoever.

En los poderes generales para administrar bienes, bastara expresar que se dan con ese carácter para que el apoderado tenga toda clase de facultades administrativas.

In the general powers to manage assets, it will be enough to express that they are granted with that character, for the attorney to have all kind of administrative authorities.

En los poderes generales para ejercer actos de dominio, bastara que se den con ese carácter para que el apoderado tenga todas las facultades

In the general powers to exercise act of domain, it shall be enough for them to be granted with that character for the attorney to

COTEJADO F.B.M.

COTEJADO

COTEJADO

Notario Publico
Distrito
Ciudad

FRANCISCO
Notario Publico
Distrito
Ciudad

LUC JORGE
Notario Publico
Distrito
Ciudad

de dueño, tanto en lo relativo a los bienes, como para hacer toda clase de gestiones a fin de defenderlos.

have all the authorities of an owner with regard to the assets, and to carry out any kind of proceedings to defend such assets.

Cuando se quieren limitar, en los tres casos antes mencionados las facultades de los apoderados, se consignaran las limitaciones o los poderes serán especiales.

When the authorities of the attorneys are to be limited in the aforementioned cases, the limitations shall be included or the powers shall be special.

Los notarios insertaran este artículo en los testimonios de los poderes que otorguen.

The Notaries shall insert this article in the testimonies of powers that they grant.

IX.- Que lei el presente documento al otorgante y le explique su valor y fuerza legal.

IX.- That I read this document to the granting party and I explained him its scope and legal force.

X.- Que una vez que el otorgante manifestó su conformidad con el contenido del presente documento, lo ratifico y firmé ante mí, en esta fecha.

X.- That once the granting party declared its conformity with the content of this document, he ratified and executed it before me on this date.

El anterior instrumento que consta de cuatro páginas fue firmado y ratificado ante mí, MARY ELLEN ANTONAGGI por JOHN S. GRANAN con el carácter arriba indicado en este día 22 del mes de ENERO de mil novecientos veinte y tres en fe de lo anterior, puse mi firma y sello de Notario.

The foregoing instrument, which includes four pages was executed and ratified before me MARY ELLEN ANTONAGGI by JOHN S. GRANAN on his capacity herein above mentioned in this day 22 of JANUARY of 1923 and in witness thereof, I stamp my signature and notary seal.

SIGNATURE

John S. Granan
Mr. John S. GRANAN

NOTARIO PUBLICO PARA EL ESTADO DE
MI comisión expira el 31 del mes de ENERO de mil novecientos veinte y tres.

Mary Ellen Antonaggi
NOTARY PUBLIC FOR THE STATE OF
CONNECTICUT
My commission expires on 31st day of JANUARY of 1923.

STATE OF CONNECTICUT) APOSTILLE
COUNTY OF FAIRFIELD) (Convention de La Haye du 5 Octobre 1961)
M. STANFORD)
I, ETHEL K. FELDMAN Assistant Clerk of the Town of Stanford
In said County, do hereby certify that Mary Ellen Antonaggi
by and before whom the foregoing (or annexed) acknowledgment was taken, was at the time of taking the same a notary public (or other officer) residing (or authorized to act) in said County, and was authorized by the laws of said State to take and certify acknowledgments in said State, and, further, that I believe that the signature to the certificate of acknowledgment is genuine.
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of the State and Town this
22nd day of JANUARY 1923

Silva 200

Notario Publico
D.F.
Ch

El Notario Publico
Lic. JUAN JOSE A.
MARTINEZ GONZALEZ

de la sustitución y a la fecha existe
validamente y que el acto en relación
al cual se otorga el poder consignado
en el presente instrumento esta
incluido dentro de sus fines
corporativos, según se desprende de
los documentales que al efecto exhibió
el compareciente, misma que tuve a la
vista y a las que me remito.

IV.- Que tuve en mi poder todos
los documentos de los cuales se
desprende la legal constitución de la
persona moral que representa al
compareciente Vincent J. Cole y
respondo por su autenticidad.

V.- Que el otorgante, bajo
protesta de decir verdad manifestó que
su nombre es Vincent J. Cole de
nacionalidad estadounidense, de estado
civil casado, (el casado) al nombre del
cónyuge Lenora Cole, Jugar y fecha de
matrimonio Connecticut, el 14 de mayo
de 1934, de ocupación Abogado de 33
años de edad, originario de New York
con domicilio en Connecticut.

VI.- Que el Vincent J. Cole a
efecto de hacer constar su identidad
me exhibe y doy fe tener a la vista un
documento idóneo que devuelvo a su
representante.

VII.- Que el otorgante me
manifestó, bajo protesta de decir
verdad, que las facultades con que
comparece no le han sido limitadas o
revocadas, y que no ha variado la
capacidad legal de su representada
para otorgar este acto.

VIII.- Que el artículo 2554 (dos
mil quinientos cincuenta y cuatro) del
Código Civil del Distrito Federal de
los Estados Unidos Mexicanos y su
correlativo el artículo 2453 (dos mil
cuatrocientos cincuenta y tres) del
Código Civil vigente para el Estado de
Chihuahua, Estados Unidos Mexicanos,
son del tenor literal siguiente:

"En todos los poderes generales
para pleitos y cobranzas, bastara que
se diga que se otorga con todas las
facultades generales y las especiales
que requieren cláusula especial
conforme a la ley, para que se
entiendan conferidos sin limitación
alguna.

En los poderes generales para
administrar bienes, bastara expresar
que se dan con ese carácter para que
el apoderado tenga toda clase de
facultades administrativas.

En los poderes generales para
ejercer actos de dominio, bastara que
se den con ese carácter para que el

this date it validly exists and that
the act in relation to which the power
subject matter hereof is granted, is
included in its corporate purposes,
according to the documents that for
such purpose the appearing party has
shown, same that I have seen and to
which I hereby refer.

IV.- That I have seen all the
documents from which the legal
incorporation of the entity hereof
represented by the appearing party
Vincent J. Cole is evidenced and I
certify their authenticity.

V.- That the granting party
under oath declared that his name
Vincent J. Cole of United States of
America nationality, married, of
marital status (if married) name of
the spouse Lenora Cole and date of
date of marriage Connecticut, May 14,
1934, of Attorney occupation, 33
years of age, originary of New York
with domicile in Connecticut.

VI.- That Vincent J. Cole in
order to evidence his identity shows,
and I give faith of having before me
the proper document for such purpose
same that I return to its holder.

VII.- That the granting party
declares under oath that the
authorities with which he appears have
not been limited nor revoked, and that
the legal authority of its principal
to grant this power has not changed.

VIII.- That Article 2554 (two
thousand five hundred fifty four) of
the Civil Code for the Federal
District of the United Mexican States
and its correlativo 2453 (two thousand
four hundred fifty three) of the Civil
Code in force for the State of
Chihuahua United Mexican States, read
as follows:

In all the general powers for
lawsuits and collections, it shall be
enough to mention that they are
granted with all the general
authorities and the special
authorities that require specific
clause pursuant to law, to be
understood as granted with out
limitation whatsoever.

In the general powers to manage
assets, it will be enough to express
that they are granted with that
character, for the attorney to have
all kind of administrative
authorities.

In the general power to
exercise act of domain, it shall be
enough for them to be granted with



Comnat.
Dilectoche
vos
m.

Don Jorge Antonio Alvarez Compadre
Hermano Publico Alvaro Diezacho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravo
Cde. Juárez, Chihuahua



- 23 -



la de sustitución y a la fecha existe
validamente y que el acto en relación
al cual se otorga el poder consignado
en el presente instrumento está
incluido dentro de sus fines
corporativos, según se desprende de
los documentales que al efecto exhibió
el compareciente, mismo que tuve a la
vista y a las que se recito.

IV.- Que tuve en mi poder todos
los documentos de los cuales se
desprende la legal constitución de la
persona moral que representa el
compareciente Vincent J. Cola y
respondo por su autenticidad.

V.- Que el otorgante, bajo
protesta de decir verdad manifestó que
su nombre es Vincent J. Cola de
nacionalidad estadounidense, de estado
civil casado, (si casado) nombre del
cónyuge Lehora Cole, lugar y fecha de
nacimiento Connecticut, el 14 de mayo
de 1934, de ocupación Abogado de 39
años de edad, originario de New York
con domicilio en Connecticut.

VI.- Que el Vincent J. Cola a
efecto de hacer constar su identidad
me exhibe y doy fe tener a la vista un
documento idóneo que devuelvo a su
representante.

VII.- Que el otorgante me
manifestó, bajo protesta de decir
verdad, que las facultades con que
comparece no le han sido limitadas o
revocadas, y que no ha variado la
capacidad legal de su representada
para otorgar este acto.

VIII.- Que el artículo 2554 (dos
mil quinientos cincuenta y cuatro) del
Código Civil del Distrito Federal de
los Estados Unidos Mexicanos y su
correlativo el artículo 2453 (dos mil
cuatrocientos cincuenta y tres) del
Código Civil vigente para el Estado de
Chihuahua, Estados Unidos Mexicanos,
son del tenor literal siguiente:

*En todos los poderes generales
para plenos y cobranza, bastara que
se diga que se otorga con todas las
facultades generales y las especiales
que requieren cláusula especial
conforme a la ley, para que se
entiendan conferidos sin limitación
alguna.

En los poderes generales para
administrar bienes, bastara expresar
que se dan con ese carácter para que
el apoderado tenga toda clase de
facultades administrativas.

En los poderes generales para
ejercer actos de dominio, bastara que
se den con ese carácter para que el

this date it validly exists and that
the act in relation to which the power
subject matter hereof is granted is
included in its corporate purposes,
according to the documents that for
such purpose the appearing party has
shown, same that I have seen and to
which I hereby refer.

IV.- That I have seen all the
documents from which the legal
incorporation of the entity hereby
represented by the appearing party,
Vincent J. Cola is evidenced and I
certify their authenticity.

V.- That the granting party,
under oath declared that his name is
Vincent J. Cola of United States of
America nationality, married, of
marital status (if married) name of
the spouse Lehora Cole and place and
date of marriage Connecticut, May 14,
1934, of Attorney occupation, of 39
years of age, originally of New York
with domicile in Connecticut.

VI.- That Vincent J. Cola in
order to evidence his identity shows
and I give faith of having before me
the proper document for such purpose
same that I return to its holder.

VII.- That the granting party
declares under oath that the
authorities with which he appears have
not been limited nor revoked, and that
the legal authority of its principal
to grant this power has not changed.

VIII.- That Article 2554 (two
thousand five hundred fifty four) of
the Civil Code for the Federal
District of the United Mexican States
and its correlative 2453 (two thousand
four hundred fifty three) of the Civil
Code in force for the State of
Chihuahua United Mexican States, read
as follows:

In all the general powers for
lawsuits and collections, it shall be
enough to mention that they are
granted with all the general
authorities and the special
authorities that require specific
clause pursuant to law, to be
understood as granted without
limitation whatsoever.

In the general powers to manage
assets, it will be enough to express
that they are granted with that
character, for the attorney to have
all kind of administrative
authorities.

In the general powers to
exercise act of domain, it shall be
enough for them to be granted with

COFEJADO F.B.M.

CUIEADO

COFEJADO

CUIEADO



apoderado tenga todas las facultades de dueño, tanto en lo relativo a los bienes, como para hacer toda clase de gestiones a fin de defenderlos.

Cuando se quieran limitar, en los tres casos antes mencionados las facultades de los apoderados, se consignaran las limitaciones o los poderes serán especiales.

Los notarios insertaran este artículo en los testimonios de los poderes que otorguen.

IX.- Que lei el presente documento al otorgante y le explique su valor y fuerza legal.

X.- Que una vez que el otorgante manifestó su conformidad con el contenido del presente documento, lo ratificó y firmó ante mí, en esta fecha.

El anterior instrumento que consta de cuatro páginas fue firmado y ratificado ante mí por Victor J. Cole con el carácter arriba indicado en este día 12 del mes de enero de mil novecientos noventa y tres en fe de lo anterior, puse mi firma y sello de Notario.

that character for the attorney to have all the authorities of an owner with regard to the assets, and to carry out any kind of proceedings to defend such assets.

When the authorities of the attorneys are to be limited in the aforementioned cases, the limitations shall be included or the powers shall be special.

The Notaries shall insert this article in the testimonies of powers that they grant.

IX.- That I read this document to the granting party and I explained his its scope and legal force.

X.- That once the granting party declared its conformity with the content of this document, he ratified and executed it before me on this date.

The foregoing instrument that includes four pages was executed and ratified before me by Victor J. Cole on his capacity herein above mentioned in this day 12 of January of 1993 and in witness thereof, I stamp by signature and notary seal.

SIGNATURE

V. J. Cole
Mr. Victor J. Cole

Mary Ellen Antonacci
NOTARY PUBLIC FOR THE STATE OF CONNECTICUT
My commission expires on 6/30/98
of 19

NOTARIO PUBLICO PARA EL ESTADO DE
MI COMISION EXPIRA EL 6/30/98 DEL MES
DE Junio DE MIL NOVECIENTOS
noventa y tres



STATE OF CONNECTICUT
COUNTY OF FAIRFIELD

APOSTILLE
(Convention de La Haye du 5 Octobre 1961)
STAMFORD

ETHEL K. FELDMAN Assistant Clerk of the Town of Stamford

In said County, do hereby certify that Mary Ellen Antonacci by and before whom the foregoing (or annexed) acknowledgment was taken, was at the time of taking the same a notary public (or other officer) residing (or authorized to act) in said County, and was authorized by the laws of said State to take and certify acknowledgments in said State, and, further, that I believe that the signature to the certificate of acknowledgment is genuine.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of the State and Town this 22nd day of January 1993

610 P 7.00

Dr. Jorge Antonio Alvarez Compeda
 Abogado Público Número Diccacho
 y del Patrimonio Inmueble Federal
 Distrito Judicial Bravo
 Cd. Juárez, Chihuahua



- 24 -

SECRETARÍA DE COMERCIO Y FOMENTO INDUSTRIAL
 DIRECCIÓN GENERAL DE INVERSIÓN EXTRANJERA
 REGISTRO NACIONAL DE INVERSIONES EXTRANJERAS
 AV. INSURGENTES SUR N° 1940 PISO 9
 CDL. FLOREDA, MÉXICO D. F. C. P. 01030
 FAX: 228-85-07

I. DATOS DEL NOTARIO PÚBLICO

NOMBRE: ALVAREZ COMPEDA JORGE ANTONIO D.I.C.
 NOTARIO PÚBLICO N°: DICCACHO DOMICILIO: CALLE Y
 NÚMERO: AVENIDAS LEON Y MALDONADO CENTRO BUROCRÁTICO LEON 307-311
 COLONIA: CENTRO C.P.: 32010 MUNICIPIO:
 DELEGACIÓN POLÍTICA: CD. JUÁREZ
 ENTIDAD FEDERATIVA: CHIHUAHUA
 TELÉFONO: 12-44-55 y 14-18-17 FAX: 12-25-38

II. DATOS GENERALES DE LA SOCIEDAD MEXICANA, DEL INVERSIONISTA EXTRANJERO O DE LA INSTITUCIÓN FIDUCIARIA SUJETOS A INSCRIPCIÓN EN EL R.N.I.E. QUE COMPARECEN ANTE EL NOTARIO PÚBLICO.

NOMBRE, DENOMINACIÓN O RAZÓN SOCIAL: "LEXMARK INTERNATIONAL"
 SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE
 DOMICILIO EN MÉXICO, EN CASO DE NO EXISTIR, SEÑALAR DOMICILIO EN EL EXTRANJERO, CALLE Y NÚMERO: PASEO SAN JERÓNIMO #163-1

COLONIA: SAN JERÓNIMO C.P.: 32500 MUNICIPIO:
 DELEGACIÓN POLÍTICA: CD. JUÁREZ
 ENTIDAD FEDERATIVA: CHIHUAHUA
 TELÉFONO: 18-30-30 FAX: 18-30-30

III. DATOS DEL REPRESENTANTE LEGAL DEL COMPARECIENTE

NOMBRE: LIC. ALEJANDRO GARZA MENJARES Y LIC. JULIO HUNDERTO GARCÍA MADRIGAL
 MUNICIPIO/DELEGACIÓN POLÍTICA Y ENTIDAD FEDERATIVA DONDE TIENE SU DOMICILIO:
CD. JUÁREZ, CHIHUAHUA
 C.P.: 32500 TELÉFONO: 18-30-30
 FAX: 18-30-01 R.F.C.: GAMA-690114 y GAMI-610902

IV. DATOS GENERALES DE LA INVERSIÓN EXTRANJERA QUE INTERVIENE EN LOS ACTOS O HECHOS PRESENTADOS ANTE NOTARIO PÚBLICO

ACTO O HECHO JURÍDICO PROTOCOLIZADO O RECONOCIDO

(Anote número correspondiente al acto o hecho señalado en el punto VII)

ANCE

VERACRUZ
 SAN JUAN

COTEJADO F.B.M.

COTEJADO

COTEJADO

En caso de haber anotado los números 1, 2, 3, 4, 10 u 11, especificar el acto o hecho:
MODIFICACION DEL PERMISO DE LA S.R.L., LOS ESTADIOS SOCIALES Y
LA EJECUCION DE LOS ACUERDOS TOMADOS EN LA ASAMBLEA CONSTITUYENTE
DE LA SOCIEDAD "LENNARK INTERNATIONAL", S.A. DE C.V. 2047/87
PAIS DE ORIGEN DE LA INVERSION EXTRANJERA Y SU PORCENTAJE DE PARTICIPACION

V. FECHA DE AUTORIZACION DEL INSTRUMENTO
24 DE ENERO DE 1996

VI. ACTOS O HECHOS JURIDICOS FORMALIZADOS ANTE NOTARIO PUBLICO EN LOS QUE INTERVIENE SUJETOS DE INSCRIPCION EN EL REGISTRO NACIONAL DE INVERSIONES EXTRANJERAS DE CONFORMIDAD CON LOS ARTICULOS 32, 34 Y 36 DE LA LEY DE INVERSION EXTRANJERA

1. CONSTITUCION DE SOCIEDADES MERCANTILES, SOCIEDADES Y ASOCIACIONES CIVILES MEXICANAS, EN LAS QUE PARTICIPE LA INVERSION EXTRANJERA.
2. MODIFICACION DE SOCIEDADES MERCANTILES, SOCIEDADES Y ASOCIACIONES CIVILES.
3. TRANSFORMACION DE SOCIEDADES MERCANTILES, SOCIEDADES Y ASOCIACIONES CIVILES.
4. DISOLUCION O LIQUIDACION DE SOCIEDADES MERCANTILES, SOCIEDADES Y ASOCIACIONES CIVILES.
5. ESTABLECIMIENTO EN MEXICO DE SUCCURSALES POR PARTE DE INVERSIONISTAS EXTRANJEROS.
6. PARTICIPACION O ESTABLECIMIENTO DE PERSONAS FISICAS O MORALES EXTRANJERAS QUE REALICEN HABITUALMENTE ACTOS DE COMERCIO EN MEXICO.
7. CONSTITUCION Y MODIFICACION DE FIDEICOMISOS DE ACCIONES O PARTES SOCIALES DE LOS QUE SE DERIVEN DERECHOS A FAVOR DE LA INVERSION EXTRANJERA.
8. CONSTITUCION Y MODIFICACION DE FIDEICOMISOS SOBRE BIENES PIGNORABLES DE LOS QUE SE DERIVEN DERECHOS A FAVOR DE LA INVERSION EXTRANJERA.
9. CONSTITUCION Y MODIFICACION DE FIDEICOMISOS DE INVERSION NEUTRA EN LOS QUE SE DERIVEN DERECHOS A FAVOR DE LA INVERSION EXTRANJERA.
10. CONTRA LOS DE ADOCCION EN PARTICIPACION, RECONOCIMIENTO DE FIRMAS, RATIFICACIONES, NOTIFICACIONES, COTEJOS DE FIRMAS, INTERRELACIONES U OTORGAMIENTO DE PODERES.
11. 91503

PODERADO EN
JUZGADO 40
SECCION III
CD. H. I.



LOS DATOS PROPORCIONADOS SE DECLARAN BAJO PROTESTA DE DECIR VERDAD

FIRMA DEL NOTARIO PUBLICO

SELLO NOTARIAL

NOTAS:

En caso de que en un acto u hecho juridico comparezcan más de un sujeto obligado a inscripción en el R.N.I.E., este aviso deberá presentarse en forma individual, conteniendo información correspondiente a cada compareciente, por lo que se deberán presentar la misma cantidad de avisos que de sujetos de inscripción que intervienen en el acto o hecho que se formaliza.
En caso de insuficiencia de espacio para manifestar los datos requeridos, se deberá presentar los anexos necesarios.

UNOPI-DNIE

Karek Lumpaka
del Bloque
de Bravos
de Chihua.

Dr. Jorge Antonio Alvarez Compean
Abogado Publico Numero Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravos
Cdt. Juarez, Chihuahua



REC. 2067 VOL. 87
**DECLARACION NOTARIAL
GOBIERNO DEL ESTADO DE CHIHUAHUA**

C. RECAMBADOR DE RENTAS EN CD. JUAREZ, CHIH., DIA 06 MES FEBRERO 1996
CON EL SE CONCLUYERON QUE ANTE EL SE OTORGÓ LA ESCRITURA CON LOS DATOS SIG:

ESCRITURA	FECHA DE ELABORACION	FECHA DE FIRMA	VOLUMEN
2067	24 DE ENERO DE 1996	24 ENERO 1996	87

ACTOS JURIDICOS QUE CONTIENE

PROTOCOLIZACION DEL PERMISO DE LA SECRETARIA DE RELACIONES EXTERIORES DE LOS ESTATUTOS SOCIALES Y LA EJECUCION DE LOS ACUERDOS TOMADOS EN LA ASAMBLEA CONSTITUYENTE, QUE SE REFIEREN A LA SOCIEDAD DENOMINADA "LEXMARK INTERNATIONAL", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, CON DOMICILIO EN ESTA CIUDAD, CON UN CAPITAL DE 150,000.00 M.N., CON DURACION DE 99 AÑOS.

OTORGANTES			CARACTER DEL OTORGANTE EN EL ACTO
APELLIDO PATERNO	MATERNO	NOMBRES	
BARZA	MINJARES	ALEJANDRO LIC.	COMPARECIENTES
en su carácter de Apoderado de la sociedad denominada "LEXINGTON TOOLING CORPORATION".			
OAYOU	MADRIGAL	JULIO HUMBERTO LIC.	COMPARECIENTES
en su carácter de Apoderado de la sociedad denominada "LEXMARK MEXICO HOLDING COMPANY", INC.			

DATOS DEL NOTARIO			SELLO DE AUTORIZACION
APELLIDO PATERNO	MATERNO	NOMBRE	
ALVAREZ	COMPEAN	JORGE ANTONIO LIC.	
R.F.C.	FIRMA		
AACJ-480913-EH16			
NUM. DE NOTARIO			
DISTRITO JUDICIAL			
DIECIOCHO			
BRAVOS			

OPERACION EXCENTA Y PRECEPTO LEGAL QUE LO ESTABLECE

PRECEPTO LEGAL QUE ESTABLECE EL PAGO DEL IMPUESTO
CONSTITUCION: DE CONFORMIDAD CON EL ARTICULO 305 FRACCION I DEL
CODIGO FISCAL DEL ESTADO \$ 37.50
MANDATOS: DE CONFORMIDAD CON EL ART. 305 FRACC. IV DEL CODIGO
FISCAL DEL ESTADO. \$ 15.60
PROTOCOLIZACION: DE CONFORMIDAD CON EL ARTICULO 305 FRACCION VII DEL
CODIGO FISCAL DEL ESTADO \$ 21.25

IMPUESTOS ANTERIORES		
PREDIAL	REEXAMEN DE RENTAS	OTROS

FIRMA DEL CAJERO RECIBIDOR		IMP. SOBRE ACTOS JURIDICOS	LIQUIDACION
		IMP. UNIV.	\$ 174.35
		TOTAL	\$ 6.97
			\$ 181.32

COTEJADO F.B.M.

COTEJADO

Lic. Jorge Ant
Notario Públ
Luisito
Ciudad



CERTIFICADO DE INGRESOS
RECAUDACIÓN DE RENTAS

998384

RESERVA DE RENTAS EN	FECHA	MONTO	CAUSA	NO DE RESERVA
34 PARCE	27/07/96	1112 00	PR	101200

CONCEPTO: RENTAS INGRESOS

CONTRIBUYENTE: ALUMNES COMPLEX PARA NIÑOS

RENTAS ACTIVO ANULADO
IMPUESTO UNIVERSITARIO

RECAUDACIÓN DE RENTAS
AGAD
12 FEB 1996
ICH. NUMEROS CIVIL
ES PAJATS

MONTO: 1 101,20

45 (45 LÍNEAS CADA UNA Y UN PESO 20/100 N.A.)

Cidhurbue
CORPORACIÓN DEL ESTADO - Dirección General de FISCALIDAD Y ASESORIA
CONTRIBUYENTE

A Jorge Antonio Alvarez Compean
Notario Público Número Dieciocho
y del Patrimonio Inmueble Federal
Distrito Judicial Bravos
Cd. Juárez, Chihuahua

- 26 -



ES PRIMER TESTIMONIO SACADO DE SU MATRIZ QUE SE EXPIDE PARA
DE LA SOCIEDAD DENOMINADA "LEXMARK INTERNACIONAL",
SOCIEDAD ANONIMA DE CAPITAL VARIABLE, VA EN VEINTISEIS FOJAS
UTILES DEBIDAMENTE FOLIADAS, SELLADAS, COTEJADAS Y RUBRICADAS,
LOS DOCE DIAS DEL MES DE FEBRERO DE MIL NOVECIENTOS NOVENTA
Y SEIS, EN CIUDAD JUAREZ, DISTRITO JUDICIAL BRAVOS, ESTADO DE
CHIHUAHUA. -- DOY FE.

COTEJADO F.B.M.

EL NOTARIO PUBLICO NUMERO DIECIOCHO:

COTEJADO
COTEJADO
COTEJADO

LIC. JORGE ANTONIO ALVAREZ COMPEAN.



Lic. Jorge Antonio Alvarez Compean
Notario Público Número Dieciocho
Distrito Judicial Bravos
Cd. Juárez, Chihuahua

SECRET
REGISTRADO bajo el Núm. 144 a Folios 53
del Libro Núm. 1910 de la Sección Comercio
Cd. Juárez, Chih., a 29 de 1946 de 1946 Doy fe.

EL REGISTRADOR.

Lic FRANCISCO JAVIER REZA PACHECO

SECRET
REGISTRADO bajo el Núm. 1147 a Folios 55
del Libro Núm. 1910 de la Sección Comercio
Cd. Juárez, Chih., a 29 de 1946 de 1946 Doy fe.

SECRET
REGISTRADO bajo el Núm. 1147 a Folios 55
del Libro Núm. 1910 de la Sección Comercio
Cd. Juárez, Chih., a 29 de 1946 de 1946 Doy fe.

----- CERTIFICACION -----

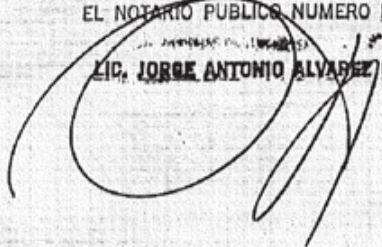
EL SUSCRITO LICENCIADO JORGE ANTONIO ALVAREZ COMPEAN, NOTARIO PUBLICO NUMERO DIECIOCHO EN ACTUAL EJERCICIO PARA ESTE DISTRITO, HAGO CONSTAR Y CERTIFICO: -----

"Que la presente fotocopia que consta de VEINTISEIS hoja(s) útil(es) es fiel y exacta copia de su original que tengo a la vista y al cual me remito, y que fué debidamente cotejada y compulsada concordando en todas sus partes".-- DOY FE:

() ANTERIOR SE HACE CONSTAR A SOLICITUD DE PARTE INTERESADA EN CIUDAD JUAREZ, DISTRITO BRAVOS, ESTADO DE CHIHUAHUA, A LOS DIECINUEVE DIAS DEL MES DE JUNIO DE MIL NOVECIENTOS NOVENTA Y SEIS

EL NOTARIO PUBLICO NUMERO DIECIOCHO.

LIC. JORGE ANTONIO ALVAREZ COMPEAN



Lic. Jorge Antonio Alvarez Compean
Notario Público Número Dieciocho
Distrito Judicial Bravos
Ciudad Juárez, Chih.





CERTIFICACION

SUSCRITO LICENCIADO JORGE ANTONIO ALVAREZ COMPEAN, NOTARIO PUBLICO NUMERO DIECIOCHO EN ACTUAL EJERCICIO PARA ESTE DISTRITO, HAGO CONSTAR Y CERTIFICO:



Que la presente fotocopia que consta de VEINTISEIS foja (s) útil (es), es fiel y exacta tomada de su original que tengo a la vista y al cual me remito, y que fue debidamente cotejada y compulsada, concordando en todas sus partes. DOY FE.

COTEJADO F.B.M.

LO ANTERIOR SE HACE CONSTAR A SOLICITUD DE LA PARTE INTERESADA, EN CIUDAD JUAREZ, DISTRITO BRAVOS, ESTADO DE CHIHUAHUA A LOS VEINTICINCO DIAS DEL MES DE ABRIL DEL AÑO DOS MIL.

EL NOTARIO PUBLICO NUMERO DIECIOCHO:

DERACION
780
31/4

LIC. JORGE ANTONIO ALVAREZ COMPEAN.



EL C. LIC. FRANCISCO BURCIAGA MOLINAR, NOTARIO PUBLICO NUMERO TREINTA PARA ESTE DISTRITO JUDICIAL BRAVOS, ESTADO DE CHIHUAHUA HACE CONSTAR Y CERTIFICA: QUE LA PRESENTE COPIA EN 27 HOJAS COINCIDE FIEL Y EXACTAMENTE CON EL DOCUMENTO ORIGINAL QUE TUVE A LA VISTA Y AL CUAL ME REMITO. SE EXTIENDE LA PRESENTE CERTIFICACION A SOLICITUD DE PARTE INTERESADA EN ESTA CIUDAD JUAREZ, CHIH., A LOS 19 DIAS DEL MES DE FEBRERO DEL AÑO 2002 DOY FE.

EL NOTARIO PUBLICO NUMERO TREINTA

LIC. FRANCISCO BURCIAGA MOLINAR





PODER JUDICIAL
JUEGADO 1
SECCION 1
CD. JL

SIN
TEXTOS

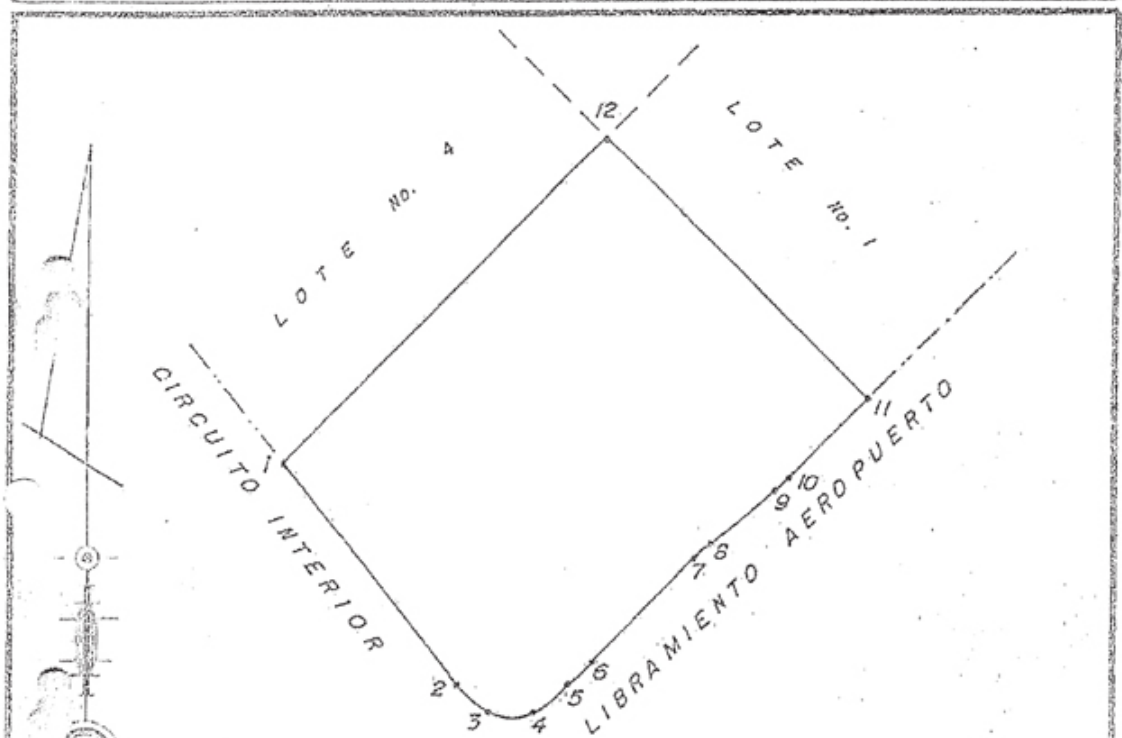
MESE
INTERDICA EN LA COMARCA DE
SE EXTIENDE LA INTERDICA
MAY Y SE OTRA ME RE
EXIENDE CON EL INTERDICA
QUE LA INTERDICA COMARCA
MAY COMARCA DE LA Y
MAY COMARCA DE LA Y
MAY COMARCA DE LA Y
MAY COMARCA DE LA Y

EL INTERDICA EN LA COMARCA DE LA Y

MAY COMARCA DE LA Y

Exhibit B

INSTRUMENTO EXPEDIENTE	OBJETO MATERIA	NOMBRE	CLAVE CATASTRAL	REGISTRACION	FECHA
MARK INTERNACIONAL, S.A. de C.V.			2-717-13-70	CD. JUAREZ, CHIH.	JUL.-98
DESCRIPCION DEL PREDIO			ESCALA	SUP TOTAL	SUP CONSTRUIDA
Lote No. 3 MANZ. "A"			1 : 2000	22,114.5852m ²	
PARQUE INDUSTRIAL SOLYARCAR					



LADOS	RUMBOS	DISTANCIA
1-2	SE.39°37'36"	98.0201m
2-3	R=51.50m C=16.8192m ANG.=SE.69°01'29" LC=16.8949m	
3-4	R=16.81m C=16.4085m ANG.=NW.87°38'10" LC=17.1416m	
4-5	R=51.50m C=16.8192m ANG.=NE.53°45'10" LC=16.8949m	
5-6	NE.47°13'02"	10.0125m
6-7	NE.44°21'17"	52.0075m
7-8	R=62.50m C=6.2267m ANG.=NE.47°12'36" LC=6.2293m	
8-9	NE.50°03'55"	29.1895m
9-10	R=57.50m C=5.7286m ANG.=NE.47°12'36" LC=5.7309m	
10-11	NE.44°21'17"	42.0423m
11-12	NW.45°38'43"	133.2119m
12-1	SW.44°21'17"	163.3196m


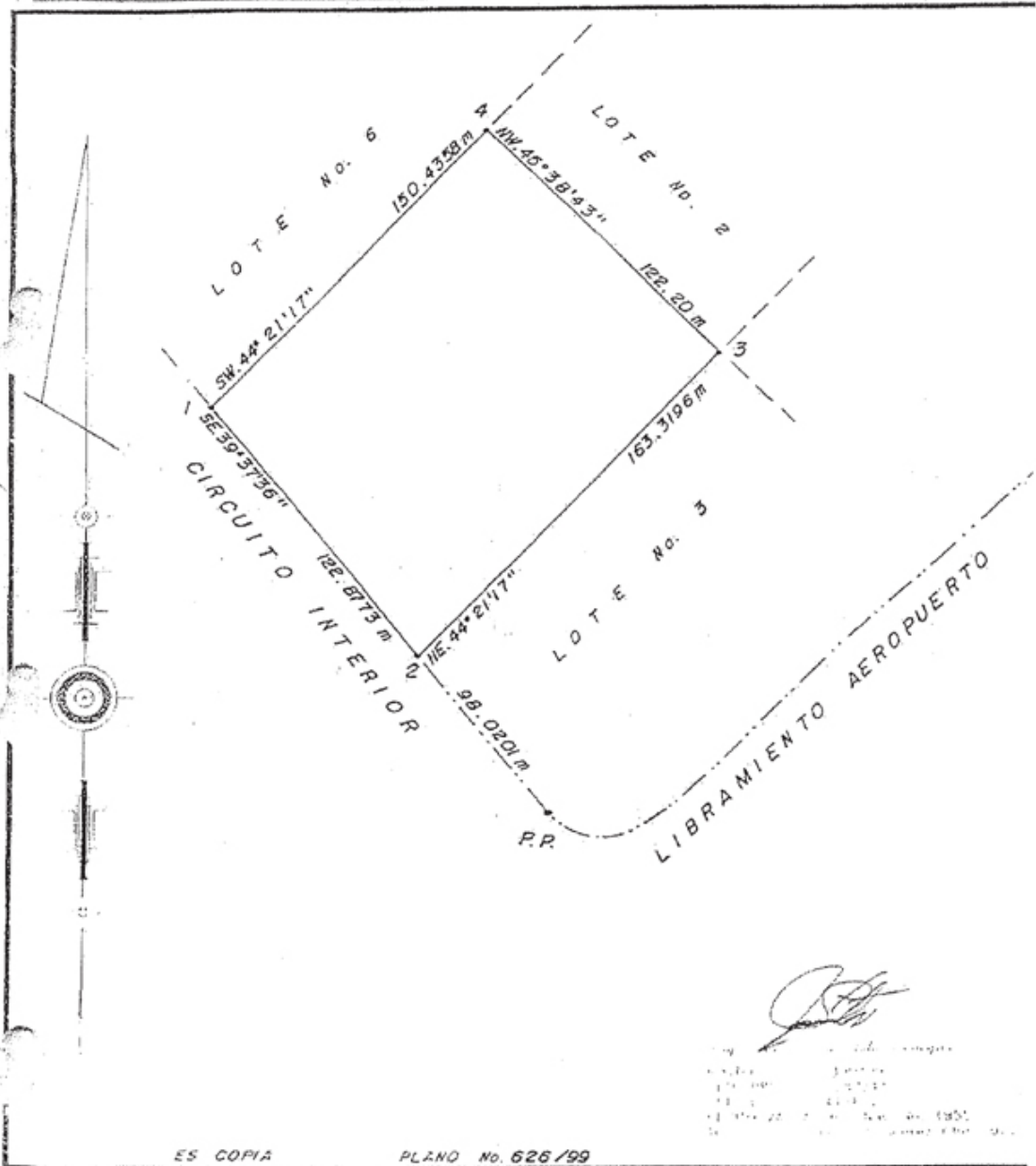

 Ing. Juan Jose Sola Venegas
 R.F.D.C. SOVI-490109
 CED. PROF. No. 287243
 CED. EST. No. 4451-23
 PERITO VALUADOR C.N.B. No. 1955
 TEL. 17-72-99 Cd. Juarez Chih. Mex.

Exhibit C

PROYECTO	PROYECTO	NOMBRE	CLAVE CATASTRAL	PROYECTO	FECHA
LEXMARK INTERNACIONAL, S.A. de C.V.			2-717-13-72	CD. JUAREZ, CHIH.	JUL-99
DESCRIPCION DEL PREDIO		ESCALA	SUPERFICIE TOTAL		CONSTRUCION
TE NO. 4 MANZ. "A" PARQUE INDUSTRIAL SALVARCAR		1 : 2,000	19,170.4567 m ²		



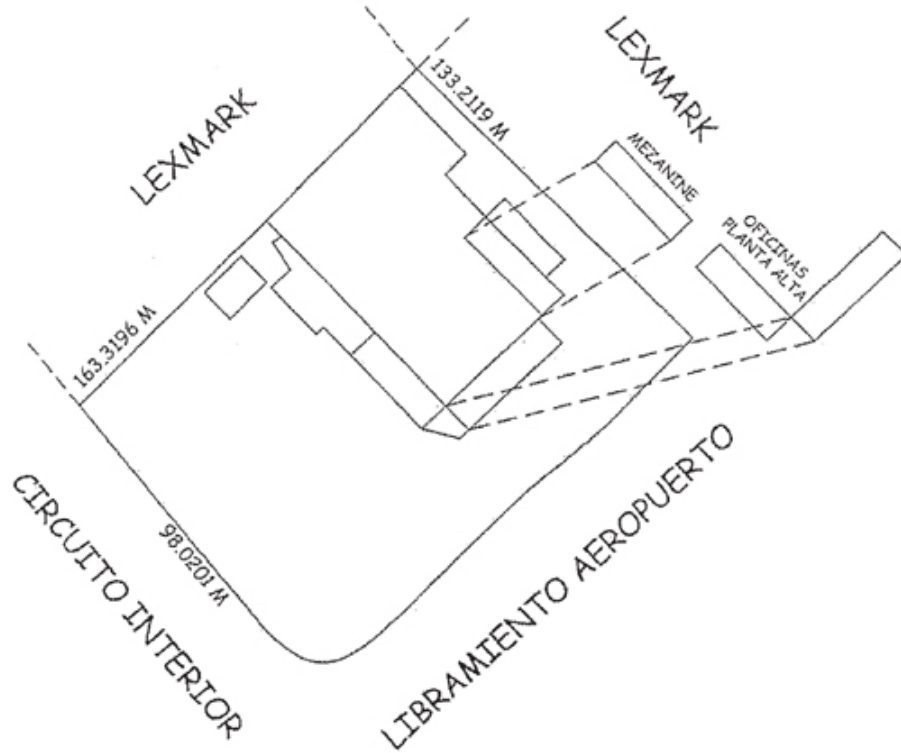
[Signature]
 Ing. ...
 ...
 ...
 ...
 ...

ES COPIA PLANO No. 626/99

Exhibit D

PLANO CATASTRAL

APPELLIDO PATERNO LEXMARK	APPELLIDO MATERNO INTERNACIONAL, S.A DE C.V.	NOMBRE	CLAVE CATASTRAL 2-717-13-70	FECHA NOVIEMBRE DEL 2005	
UBICACION DEL PREDIO LIBRAMIENTO AEROPUERTO Y CIRCUITO INTERIOR PARQUE INDUSTRIAL SALVARCAR (LEXMARK)			ESCALA 1:2000	SUP. TERRENO 22,114.5852 M2	SUP. CONSTRUCCION 8,607.67 M2

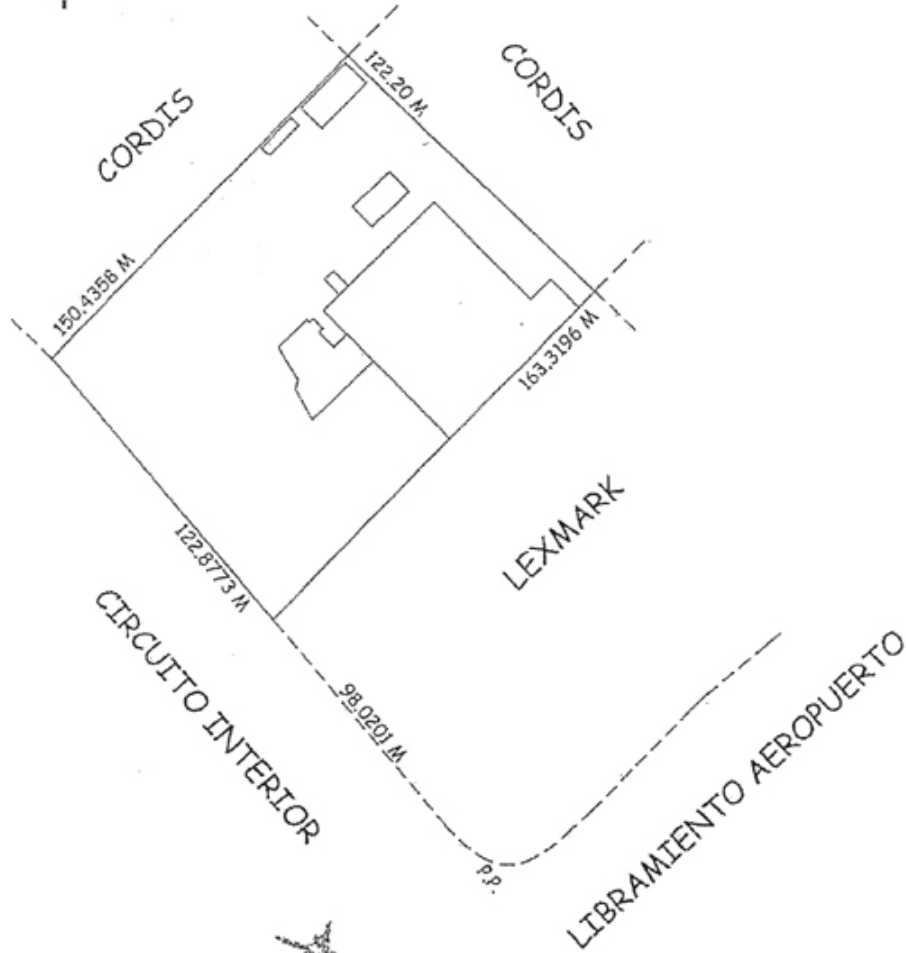


NOTA: PLANO ELABORADO DE ACUERDO A ANTECEDENTES

ARQ. MA. CONCEPCION PEÑA L.
CED. PROF. 1714773
JEFE DEL DEPARTAMENTO DE VALUACION
DIRECCION DE CATASTRO

PLANO CATASTRAL

APELLIDO PATERNO LEXMARK	APELLIDO MATERNO INTERNACIONAL, S.A DE C.V.	NOMBRE INTERNACIONAL, S.A DE C.V.	CLAVE CATASTRAL 2-717-13-72	FECHA NOVIEMBRE DEL 2005
UBICACION DEL PREDIO LIBRAMIENTO AEROPUERTO Y CIRCUITO INTERIOR PARQUE INDUSTRIAL SALVARCAR (LEXMARK)			ESCALA 1:2000	SUP. TERRENO 19,170.4567 M2
				SUP. CONSTRUCCION 4,786.98 M2



NOTA: PLANO ELABORADO DE ACUERDO A ANTECEDENTES

ARO. MA. CONCEPCION PEÑA L.
 CED. PROF. 1714773
 JEFE DEL DEPARTAMENTO DE VALUACION
 DIRECCION DE CATASTRO

CERTIFICADO DE LIBERTAD DE GRAVAMEN

EL C. ENCARGADO DE LA OFICINA DEL REGISTRO PUBLICO DE LA PROPIEDAD PARA EL DISTRITO JUDICIAL BRAVOS ESTADO DE CHIHUAHUA.

CERTIFICA:

TIPO DE INMUEBLE: TERRENO URBANO
 LOTE 3 MANZANA A
 DENOMINACION: PARQUE INDUSTRIAL SALVARCAR
 MUNICIPIO: JUAREZ
 SUPERFICIE: 22,114.5852 METROS CUADRADOS
 MEDIDAS Y COLINDANCIAS:
 1 AL 2 98.2010 METROS CON LIBRAMIENTO AEROPUERTO
 2 AL 3 LINEA CURVA 16.8192 METROS CON LIBRAMIENTO AEROPUERTO
 3 AL 4 LINEA CURVA 17.1410 METROS CON LIBRAMIENTO AEROPUERTO
 4 AL 5 LINEA CURVA 16.8940 METROS CON LIBRAMIENTO AEROPUERTO
 5 AL 6 10.0120 METROS CON LIBRAMIENTO AEROPUERTO
 6 AL 7 52.0070 METROS CON LIBRAMIENTO AEROPUERTO
 7 AL 8 LINEA CURVA 6.2290 METROS CON LIBRAMIENTO AEROPUERTO
 8 AL 9 29.1890 METROS CON LIBRAMIENTO AEROPUERTO
 9 AL 10 LINEA CURVA 5.7300 METROS CON LIBRAMIENTO AEROPUERTO
 10 AL 11 42.0420 METROS CON LIBRAMIENTO AEROPUERTO
 11 AL 12 133.2110 METROS CON LOTE 1
 12 AL 1 163.3190 METROS CON LOTE 4
 CLAVE CATASTRAL: 717-13-70
 USOS Y DESTINO:
 I1 INDUSTRIAL MAQUILADORA
 DERECHOS QUE AMPARA: 100.00% DE PROPIEDAD
 REGISTRADO(A) CON FECHA 30 DE SEPTIEMBRE DE 1999 A NOMBRE DE :

 LEXMARK INTERNACIONAL, SOCIEDAD ANONIMA DE CAPITAL VARIABLE, .

BAJO LOS SIGUIENTES DATOS : INSCRIPCION 59 FOLIO 61 LIBRO 2722 DE SECCION PRIMERA.

NO REPORTA INSCRIPCION O ANOTACION ALGUNA QUE IMPONGA GRAVAMENES SOBRE EL BIEN INMUEBLE DETALLADO EN LA PARTE SUPERIOR.

-----FIN DEL CERTIFICADO-----



ESTADO LIBRE Y SOBERANO
 DE CHIHUAHUA
 REGISTRO PUBLICO DE LA
 PROPIEDAD Y DEL COMERCIO
 DISTRITO BRAVOS

SOLICITUD DE LA PARTE INTERESADA EXPIDO EL PRESENTE, DOY FE

Hortensia Trevizo Bermudez
 LIC. HORTENSIA TREVIZO BERMUDEZ

EXPEDIDO EN CIUDAD JUAREZ, CHIHUAHUA EL DIA 8 DE JULIO DE 2011 10:28

CONTROL DE CERTIFICADO 08/07/2011 157 CERTIFICADO DE INGRESOS 2587046 ID:1971114H31

PAGADO POR: BUPETE JURIDICO Y ADMINISTRATIVO SC

IMPORTE 150.00

CIENTO CINCUENTA PESOS 0/100 M.N.

COTEJO: JESUS MORA

CERTIFICADO DE LIBERTAD DE GRAVAMEN

EL C. ENCARGADO DE LA OFICINA DEL REGISTRO PUBLICO DE LA PROPIEDAD PARA EL DISTRITO JUDICIAL BRAVOS ESTADO DE CHIHUAHUA.

CERTIFICA:

TIPO DE INMUEBLE: TERRENO URBANO
 LOTE 4 MANZANA A
 DENOMINACION: PARQUE INDUSTRIAL SALVARCAR
 MUNICIPIO: JUAREZ
 SUPERFICIE: 19,170.4567 METROS CUADRADOS

MEDIDAS Y COLINDANCIAS:

1 AL 2 122.8770 METROS CON CIRCUITO INTERIOR
 2 AL 3 163.3190 METROS CON LOTE 3
 3 AL 4 122.2000 METROS CON LOTE 2
 4 AL 1 150.4350 METROS CON LOTE 6

CLAVE CATASTRAL: 717-13-72

USOS Y DESTINO:

I1 INDUSTRIAL MAQUILADORA
 DERECHOS QUE AMPARA: 100.00% DE PROPIEDAD
 REGISTRADO (A) CON FECHA 30 DE SEPTIEMBRE DE 1999 A NOMBRE DE:

LEXMARK INTERNACIONAL SOCIEDAD ANONIMA DE CAPITAL VARIABLE,, .

BAJO LOS SIGUIENTES DATOS: INSCRIPCION 60 FOLIO 62 LIBRO 2722 DE SECCION PRIMERA.

NO REPORTA INSCRIPCION O ANOTACION ALGUNA QUE IMPONGA GRAVAMENES SOBRE EL BIEN INMUEBLE DETALLADO EN LA PARTE SUPERIOR.

-----FIN DEL CERTIFICADO-----

A SOLICITUD DE LA PARTE INTERESADA EXPIDO EL PRESENTE, DOY FE



LIC. HORTENSIA TREVIZO BERMUDEZ

EXPEDIDO EN CIUDAD JUAREZ, CHIHUAHUA EL DIA 8 DE JULIO DE 2011 10:31

CONTROL DE CERTIFICADO 08/07/2011 158 CERTIFICADO DE INGRESOS 2586993 ID:1161387H31

PAGADO POR: BUFETE JURIDICO Y ADMINISTRATIVO SC

IMPORTE

150.00

CIENTO CINCUENTA PESOS 0/100 M.N.

COTEJO: JESUS MORA



**PRESIDENCIA MUNICIPAL
CD. JUAREZ, CHIH.**

Dependencia:

DIR. DE DESARROLLO
URBANO
ADMINISTRACION DEL
DESARROLLO URBANO
DDU/CZ-730/99

Depto:

Num. de Oficio:

ASUNTO:

**CONSTANCIA DE ZONIFICACION
DDU/CZ-730/99**

LA DIRECCION DE DESARROLLO URBANO, DEL MUNICIPIO DE JUAREZ, ESTADO DE CHIHUAHUA, CON FUNDAMENTO EN LO DISPUESTO EN EL ARTICULO 112, PARRAFO PRIMERO DE LA LEY DE DESARROLLO URBANO, VIGENTE EN EL ESTADO; HACE CONSTAR QUE EL PREDIO CUYOS DATOS OBRAN EN EL PLANO CATASTRAL QUE A CONTINUACION SE DESCRIBE:

Superficie total:	41,285.0419 Mts ² .	Colind. al sur:	CALLE CIRCUITO INTERIOR
Clave Catastral:	2-717-13-70 Y 72	Colind. al norte:	PROPIEDAD PARTICULAR
		Colind. al oriente:	LIBRAMIENTO AEROPUERTO
		Colind. al poniente:	PROPIEDAD PARTICULAR

Y SEGUN LOS LINEAMIENTOS ESTABLECIDOS EN EL PLAN DIRECTOR DE DESARROLLO URBANO /95, Y POR LA UBICACION DEL PREDIO, SE CONSIDERA CON UNA ZONIFICACION PERMITIDA DE:

INDUSTRIA EN PARQUE (IP 0.50)

Y EN VIRTUD DE LA SOLICITUD PARA EL APROVECHAMIENTO EN EL DESARROLLO DE INSTALACIONES DEDICADAS A:

INDUSTRIA DE BAJO RIESGO. INDUSTRIA MAQUILADORA

ESTA DIRECCION CONSIDERA FACTIBLE EL DESARROLLO DE DICHO PREDIO, TODA VEZ QUE NO VA EN CONTRA DE LO ESTABLECIDO EN LA TABLA DE COMPATIBILIDADES QUE MARCA EL PLAN DIRECTOR DE DESARROLLO URBANO; DEBIENDO CUMPLIR CON LAS OBSERVACIONES QUE A CONTINUACION SE MENCIONAN:

EDIFICACION -

RESPETAR LOS COEFICIENTES DE: OCUPACION DEL 0.50 Y DE UTILIZACION DEL 0.50

RESOLVER EL ESCURRIMIENTO PLUVIAL DENTRO DEL PREDIO

CONTAR CON BANQUETAS DE PROTECCION PEATONAL

RESPETAR UN LOTE MINIMO DE 18,000.00 MTS.², CON UN FRENTE MINIMO DE 85.00 METROS

EL 30% DE LOS ESPACIOS LIBRES DE CONSTRUCCION DEBERAN CUBRIRSE DE MATERIAL PERMEABLE

CONTAR CON ESTACIONAMIENTO, AREA DE CARGA O DESCARGA Y PATIO DE MANIOBRAS, DENTRO DEL PREDIO

RESPETAR LAS NORMAS ESTABLECIDAS EN LOS REGLAMENTOS VIGENTES DE CONSTRUCCION Y ECOLOGIA.

VIALIDADES -

RESPETAR EL DERECHO DE VIA DEL LIBRAMIENTO AEROPUERTO CON UNA SECCION DE 65.00 METROS

RESPETAR EL DERECHO DE VIA DE LA CALLE CIRCUITO INTERIOR

RESPETAR UN RADIO DE GIRO DE 16.00 METROS EN LA INTERSECCION DE LAS VIALIDADES

RESPETAR EL CARRIL DE INCORPORACION AL PREDIO CON UNA SECCION DE 3.50 METROS POR EL LIBRAMIENTO AEROPUERTO

EL ACCESO AL PREDIO DEBERA REALIZARSE POR LA CALLE CIRCUITO INTERIOR NO DEBERA REALIZAR

MANIOBRAS DE ESTACIONAMIENTO Y/O CARGA O DESCARGA SOBRE LA VIA PUBLICA.

DICTAMENES -

TRAMITAR Y CUMPLIR CON EL DICTAMEN DE PROTECCION CIVIL

TRAMITAR Y CUMPLIR CON EL INFORME PREVENTIVO

CUMPLIR CON TODAS LAS MEDIDAS MARCADAS EN EL DICTAMEN DE LA JMAS

TRAMITAR EL CERTIFICADO DE OCUPACION

RESTRICCIONES GENERALES -

RESPETAR UNA RESTRICCION AL FRENTE DE 10.00 METROS Y LATERALES Y DE FONDO DE 5.00 METROS

CONTAR CON LOS ELEMENTOS ARQUITECTONICOS NECESARIOS PARA MEJORAR LA IMAGEN URBANA DEL SECTOR

LA PRESENTE CONSTANCIA NO EXIME DE AFECTACIONES, DERECHOS DE VIA Y/O PASOS DE SERVIDUMBRE POR INFRAESTRUCTURA —

(LINEAS DE C.F.E., J.M.A.S., GASODUCTO Y OTROS)

RESPETAR LOS LINEAMIENTOS PARA LA COLOCACION DE ANUNCIOS

NO PODRA CAMBIAR A OTRO USO PRODUCTIVO, SIN AUTORIZACION EXPRESA DE ESTA DIRECCION.

Se extiende la presente constancia a petición de **LEXMAR INTERNACIONAL, S.A. DE C.V.**, parte interesada; para los fines legales convenientes, a los 30 días del mes de Septiembre de 1999, en Cd. Juárez, Municipio de Juárez, Estado de Chihuahua.

ATENTAMENTE:

“SUFRAGIO EFECTIVO: NO REELECCION”



C. ARQ. JOSE ADRIAN SAENZ DIAZ

CONTRALOR DE DESARROLLO URBANO

Foto 42
c.c.p. Ventanilla Unica
Archivo

A'JASD/A'EMC 



Lexmark Asset Listing
JULIO 27, 2011

No.	Qty	Equipment	Area	Comments
1	43	Tables for 4 people	Cafeteria	
2	2	Walk through food heaters	Cafeteria	
3	5	Patio tables for 4 people	Cafeteria	
4	1	Ice machine	Cafeteria	
5	3	Food Heaters "Banos Maria"	Cafeteria	
6	3	Cold Tables	Cafeteria	
7	1	Food Service Bar	Cafeteria	
8	7	Stainless steel work tables	Cafeteria	
9	4	Quick Cook Stove	Cafeteria	
10	1	Frying Machine	Cafeteria	
11	2	Grill Pans	Cafeteria	
12	2	Cold Rooms	Cafeteria	
13	3	Double Zinc	Cafeteria	
14	2	Pre Heat Ovens	Cafeteria	
15	1	Quick Cook Perol	Cafeteria	
16	2	85 Gal Water Heater	Cafeteria, Production Restroom	
17	1	Tarja de lavado de tres tinas	Cafeteria	
18	1	Dish Washer	Cafeteria	
19	1	Temperature Controlled Dish Washer	Cafeteria	
20	2	Air Curtains	Cafeteria	
21	1	Monitoring System for 32 cameras, only 7 are connected	Security Room	
22	1	Access System with WinPack	Security Room	
23	5	camillas	Seguridad	
24	3	Electric Water dispensers	Plant	
25	1	Dover Elevator	Reception	Model: EP06020 SN: EL2501
26	1	Evacuation System	Plant	As shown in photos Ardata Multimiter Model:M07134 APC, Airborne Particle Counter Model:94200S, SN: C0904-13330/
27	2	Measurement Equipment	Maintenance	
28	2	Cubicles Set	Maintenance & Training Room	As shown in photos
29	5	Manual Docks	warehouse	As shown in photos
30	1	Warehouse Electric Dock	Warehouse	As shown in photos
31	30	Cubicles	Administrative Areas	
32	12	Ofices with Cucibles	Admon, Warehouse, Maintenance	
34	1	Compressor IR	Compressor Room	As shown in photos with electric power connection
35	1	Oil Separator System	Compressor Room	As shown in photos
36	1	IR Dryer	Compressor Room	As shown in photos
37	1	Compressor Filters	Compressor Room	As shown in photos
38	1	Compressed Room tank	Compressor Room	As shown in photos
39	1	Compressed Room monitoring system	Compressor Room	As shown in photos
40	1	DI/RO System	DI Room	As shown in photos
41	1	Potable Water Treatment	Potable Water treatment Room	As shown in photos
42	1	Evacuation System	Plant	As shown in photos. Including Alarms, warning light and strobes
43	2	Electric Rooms	Plant	As shown in photos (TD1, TD2, TD3 & TD4)
44	2	Power Generators	Plant	SN LM-233536-0899 & LM-233627-0899
45	1	Chiller	HVAC Room	Model 19XR As shown in photos, including hoses, water flow monitoring systems
46	1	Fire System	Plant	
47	1	Reception Furniture	Reception	As shown in photos containing toilets, sinks, faucets, accessories as shown in photos
48	Several	Restrooms	Reception, Offices, Production,	
49	1	Set of fire extinguishers	All building	as shown in photos Wired with breakers as shown in photos and electric diagrams
50	Several	Electrical Panels	Plant	With HEPA filters, fume/air extraction system, lexfil walls, hunter ceiling and portafab walls as shown in photos
51	1	Clean Room	Manufacturing Areas	Containing pumps, dosing pumps, cooling towers with recirculation pumps, electric control system, VFDs, etc as shown in photos
52	1	Set of HVAC Equipment	HVAC Room	Complete units with motors, belts, control system and valves
53	55	AHUs	Roof & Production Area	
54	1	AHUs	Roof	Missing motor and disassembled Complete units with motors, belts, control system and valves
55	15	MAUs	Roof	
56	3	Mini Split	Roof	As shown in photos
57	1	Evaporative Cooler	Roof	As shown in photos

58	8	UP (Package Units)	Roof and racketball rooms	As shown in photos
59	4	Cooling tower	Roof	As shown in photos
60	14	Exhaust units	Roof	As shown in photos
61	1	10,000 Kva Substation	Outside	As shown in photos

Exhibit "I"
Draft Deed Transferring Title.

PUBLIC INSTRUMENT NUMBER _____ (_____)
VOLUME _____ (_____)

In Ciudad Juarez, State of Chihuahua, United Mexican States, on _____, 2011, before me, Mr. _____, Notary Public Number _____, in and for this Bravos Judicial District (Ciudad Juarez), appear Lexmark Internacional, S.A. de C.V. (henceforth "Seller") herein represented by _____ in his/her capacity as Attorney in Fact and Aligntech de Mexico, S. de R.L. de C.V., represented herein by Mr. _____ in his/her capacity as Attorney in Fact (henceforth "Buyer"), to execute a Real Estate Purchase and Sale Agreement, pursuant to the following recitals and clauses:

RECITALS:

FIRST. Seller hereby, through its Attorney in Fact, states that:

- (a) It is the owner in absolute fee simple of: (A) a certain tract of land identified as Tract of Land number 3 (three) in Block "A" (letter A) of the Salvarcar Industrial Park of the City of Juarez, State of Chihuahua, United Mexican States with a total surface area of 22,114.5852 square meters (twenty-two thousand one hundred fourteen square meters, five thousand, eight hundred fifty-two square tenths of millimeters) (approximately 238,039.18 square feet) (henceforth, "Tract of Land number 3") with the following metes and bounds: from point one to point two, bearing SE 39°37'36" with a distance of ninety-eight meters, two hundred one tenths of a millimeter (98.0201 m); from that point two to point three, a radius of fifty-one meters, fifty centimeters (51.50 m), an angle bearing SE 49°01'29", curve of sixteen meters, eight thousand eight hundred ninety-two tenths of a millimeter (16.8892 m), the prior two metes bound with Circuito Interior; from that point three to point four, a radius of sixteen meters, eighty-one centimeters (16.81 m), an angle bearing NW 87°38'10", a curve of sixteen meters, four thousand eighty-five tenths of a millimeter (16.4085 m), and a curved line of seventeen meters, one thousand four hundred sixteen tenths of a millimeter (17.1416 m), bounds with the corner of Circuito Interior and Libramiento Aeropuerto; from that point four to point five, a radius of fifty-one meters, fifty centimeters (51.50 m), an angle bearing NE 53°45'10", a curve of sixteen meters, eight thousand one hundred ninety-two tenths of a millimeter (16.8192 m) and a curved line of sixteen meters, eight thousand nine hundred forty-nine tenths of a millimeter (16.8949 m); from this point five to point six, bearing NE 47°13'02", with a distance of ten meters, one hundred twenty-five tenths of a millimeter (10.0125 m); from this point six to point seven, bearing NE 44°21'17", with a distance of fifty-two meters, seventy-five tenths of a millimeter (52.0075 m); from this point seven to point eight, a radius of sixty-two meters, fifty centimeters (62.50 m), angle bearing NE 47°12'36", a curve of six meters, two thousand two hundred sixty-seven tenths of a millimeter (6.2267 m) and a curved line of six meters, two thousand two hundred ninety-three tenths of a millimeter (6.2293 m); from this point eight to point nine, bearing NE 50°03'55", with a distance of twenty-nine meters, one thousand eight hundred ninety-five tenths of a millimeter (29.1895 m); from this point nine to point ten, a radius of fifty-seven meters, fifty centimeters (57.50 m), an angle bearing NE 47°12'36", curve of

five meters, seven thousand two hundred eighty-six tenths of a millimeters (5.7286 m) and a curved line of five meters, seven thousand three hundred nine tenths of a millimeter (5.7309 m); from this point ten to point eleven, bearing NE 44°21'17", with a distance of forty-two meters, four hundred twenty-three tenths of a millimeter (42.0423 m), the prior metes bound with Libramiento Aeropuerto; from this point eleven to point twelve, bearing NW 45°38'43", with a distance of one hundred thirty-three meters, two thousand one hundred nineteen tenths of a millimeter (133.2119 m) bounds with tract of land number one; from this point twelve to the starting point one to close the figure, bearing SW 44°21'17", with a distance of one hundred sixty-three meters, three thousand one hundred ninety-six tenths of a millimeter (163.3196 m), bounds with tract of land number four, of which a blue print is attached as **Exhibit "ONE"**; and (B) a certain tract of land identified as Tract of Land number 4 (four) in Block "A" (letter A) of the Salvarcar Industrial Park of Ciudad Juarez, State of Chihuahua, United Mexican States with a total surface area of 19,170.4567 square meters (nineteen thousand one hundred seventy square meters, four thousand five hundred sixty-seven square tenths of millimeters) (approximately 206,348.88 square feet) (henceforth, "Tract of Land number 4") with the following metes and bounds: from point one to point two, bearing SE 39°37'36" with a distance of one hundred twenty-two meters, eight thousand seven hundred seventy-three tenths of a millimeter (122.8773 m), bounds with Circuito Interior; from point two to point three, bearing NE 44°21'17" with a distance of one hundred sixty-three meters, three thousand one hundred ninety-six tenths of a millimeter (163.3196 m), bounds with Tract of Land number 3; from point three to point four, bearing NW 45°38'43" with a distance of one hundred twenty-two meters, twenty centimeters (122.20 m), bounds with tract of land number two; from point four to point one to close the figure, bearing SW 44°21'17" with a distance of one hundred fifty meters, four thousand three hundred fifty-eight tenths of a millimeter (150.4358 m), bounds with tract of land number six, of which a blue print is attached as **Exhibit "TWO"** (Tract of Land number 3 and Tract of Land number 4 will be henceforth collectively referred to as the "Land"); and (C) an industrial building thereon constructed with a total surface area of approximately 13,599.42 square meters (thirteen thousand five hundred ninety-nine square meters, forty-two square centimeters) (approximately 146,383 square feet) (henceforth, the "Building"), more particularly described in **Exhibit "THREE"** attached and by this reference made a part hereof, located at Blvd. Independencia 1951, Parque Industrial Salvacar, in Ciudad Juarez, State of Chihuahua, United Mexican States. Tract of Land number 3, Tract of Land number 4, the Building and all other appurtenance thereto, together with all and singular rights, title, interests, benefits, privileges, easements, tenements and appurtenances thereunto, belonging or appertaining thereto; and rights, easements and other interests, if any, in and to adjacent streets, alleys and rights-of-way, development rights or other property abutting such real properties, water and sewer taps, riparian, sanitary or storm sewer capacity or reservations and rights under utility agreements with any entities or agencies with respect to the providing of utility services to such real properties, all the buildings and other improvements, if any (including infrastructure and utilities) erected on the Land, including the Building, all rights, title and interest including warranties, guaranties, bonds regarding those fixtures, machinery, equipment, furnitures and cubicles, clean rooms and articles of personal property and permanent improvements in the nature of personal property attached, located in, or appurtenant to the Land and its improvements, including, but not limited to, the property described on **Exhibit "FOUR"** (collectively, the "Personal Property"). All of the property, rights, and interests described in this paragraph are hereinafter referred to collectively as the "Property";

- (b) It acquired the Property through Public Deed number 5,838, dated June 25, 1999, from the records of Notary Public number 18 in and for Ciudad Juarez, State of Chihuahua, United Mexican States, recorded with the Public Registry with respect to Tract of Land No. 3 under Entry number 59, Page 61, Book 2722, in the First Section of the Public Registry of Property of Bravos District, in Ciudad Juarez, State of Chihuahua, dated 30 September, 1999 and with respect to Tract of Land No. 4 under Entry number 60, Page 62, Book 2722, in the First Section of the Public Registry of Property of Bravos District, in Ciudad Juarez, State of Chihuahua, dated 30 September, 1999;
- (c) Up to this date the Property is free of liens, liability, encumbrances, encroachments or limitations of domain, expropriation, easements, leases and rights or options of use, occupancy or purchase (collectively referred to as "Liens") as evidenced in the certificate(s) of lack of liens issued by the Public Registry for Bravos District, State of Chihuahua, same which are attached to this Instrument as **Exhibits "FIVE" and "SIX"**;
- (d) It has paid all due property taxes related to the Property, as evidenced by the receipts issued by Juarez Cadastral Office on _____, copy of which is attached to this Instrument as **Exhibit "SEVEN"**;
- (e) The Property is suitable to be used for industrial purposes, as evidenced in the Zoning Certificate (*Constancia de Zonificacion*) issued by the Urban Development Office, copy of which is attached to this Instrument as **Exhibit "EIGHT"** and the Property and use thereof does not violate any governmental law or regulation;
- (f) The Property has all utility lines available in its perimeter and has been used for industrial purposes and has access to drinking water, sanitary sewer, and electricity lines;
- (g) The Property has not been delivered in possession, leasing, use or usufruct to any person, therefore the title of property, domain, use and derivative and absolute peaceful possession of the Property is hereby fully transferred in favor of Buyer;
- (h) The Property is free of any type and kind of Hazardous Materials on, under or above the Property affecting the surface, subsurface, soil and ground water in violation of Environmental Laws;
- (i) The Property is in compliance with all applicable laws, except for failures to comply, if any, which have been remedied, and that it has not entered into any commitments or agreements with any governmental authorities or agencies affecting the Property that are not a matter of public record at the Public Registry;
- (j) There are no contracts or agreements regarding any of the Property other than those that Seller has disclosed to Buyer;
- (k) To the best of their knowledge, there is no pending procedure, suit or expropriation, arbitrations, claims, attachments, assignments for the benefit of creditors, threatened litigation, eminent domain, or condemnation or any similar proceeding affecting the Property or any portion thereof;

- (l) To the best of Seller's knowledge, neither Seller nor the Property are in violation or non-compliance with any restriction or covenant affecting the Property;
- (m) Seller has no knowledge of any condition or fact that could have a material adverse effect on the Property or its value;
- (n) As of the date hereof and to the best of its knowledge, it is not prohibited to execute this Agreement by any law, regulation, agreement, deed, restriction, order or court decision;
- (o) Its Attorney in Fact has full authority and power to execute this Agreement on its behalf which authority has not been limited, suspended nor revoked in any manner whatsoever;
- (p) There is no agreement to which Seller is a party or, to Seller's knowledge, binding on Seller, which is in conflict with this Agreement;
- (q) It has not entered into, and has no knowledge of, any agreement with or application to any governmental authority not mentioned herein with respect to any zoning modification, variance, exception, platting or other matter. Neither Seller nor the Property are in violation or non-compliance with any restriction or covenant affecting the Property;
- (r) It has not received any notice and has no knowledge of any pending liens, special assessments, condemnations, impositions or increases in assessed valuations to be made against the Property by any governmental authority;
- (s) Any obligation, debt, tax or charge arisen out of the Property before the execution hereof, even if notified after the date of execution hereof, shall be the sole responsibility of Seller;
- (t) To its best knowledge, there are no material defects in the Property, the roof is in good condition, and the Personal Property and the operating systems serving the Property are in good working order.
- (u) It desires to execute this Purchase and Sale Agreement with the Buyer in order to transfer the ownership of the Property free of any Lien and limitation of domain of any nature.

SECOND. Buyer, through its Attorney in fact, hereby states that:

- (a) It is a corporation duly incorporated and existing pursuant to the laws of Mexico, as evidenced in Public Deed number 7,136, Volume 336, from the records of Notary Public number 14 in and for Bravos Judicial District, Ciudad Juarez, State of Chihuahua, United Mexican States, and recorded in Public Registry for Bravos District, State of Chihuahua, on November 19th, 2008, under Electronic Entry number 24400*3;

- (b) Its Attorney in Fact has full authority and power to execute this Agreement on its behalf which authority has not been limited, suspended nor revoked in any manner whatsoever; and
- (c) It desires to enter into this Purchase and Sale Agreement with Seller in order to receive the ownership over the Property free of any lien, liability, encumbrance and limitation of domain.

THIRD. Both parties hereby state, through their respective Attorneys in Fact, that:

- (a) In the execution of this Agreement there has been no known error, bad faith, violence nor duress between them; and
- (b) They mutually acknowledge the authority with which each of their Attorneys in Fact appear to the execution hereof,

HAVING STATED THE ABOVE, the parties agree on the following:

CLAUSES:

FIRST. CONVEYANCE OF TITLE TO THE PROPERTY.

Seller hereby sells the Property to Buyer and Buyer hereby acquires from Seller, absolute fee simple title over the Property, free of Liens, and with adhesions appurtenant thereto either by law or in fact, in exchange for the purchase price set forth in Clause Second below, including specifically but no limited to, a building of approximately 13,599.42 (thirteen thousand five hundred ninety-nine square meters, forty-two square centimeters) (approximately 146,383 square feet) constructed on the Land, the electrical availability contracted by Seller for the Property fire protection sprinkler system and all existing offices currently located in the Building. The Land, improvements and all other appurtenance thereto, together with all and singular Seller's rights, benefits, privileges, easements, tenements, and appurtenances thereunto, belonging or appertaining thereto, and Seller's rights, easements and other interests, if any, in and to adjacent streets, alleys and rights-of-way, or other property abutting the Property, water and sweeper taps, sanitary or storm sewer capacity or reservations and rights under utility services to the Property.

SECOND. PRICE.

The price agreed between the parties for the purchase of the Property is Three Million Two Hundred Thousand 00/100 dollars, legal currency of the United States of America (\$3,200,000) (henceforth, the "Purchase Price"), of which _____ 00/100 dollars, legal currency of the United States of America (\$) corresponds to the Land and _____ 00/100 dollars, legal currency of the United States of America (\$) corresponds to the Building; therefore the transfer of the Building shall cause Value Added Tax (VAT) in the amount of _____ 00/100 dollars, legal currency of the United States of America (\$) approximately, that the Seller hereby expressly transfers to the Buyer. Seller hereby expressly acknowledges receiving from Buyer the Purchase Price to its complete satisfaction hereby issuing the full and final release available under law.

THIRD. POSSESSION OF THE PROPERTY.

Seller hereby delivers legal and physical possession of the Property to Buyer. Buyer hereby receives legal and physical possession of the Property.

FOURTH. EVICTION.

Seller hereby guarantees clear title and possession to the Property in the event of eviction as set forth by the Civil Code for the State of Chihuahua.

FIFTH. ENVIRONMENTAL LIABILITY.

Seller agrees to indemnify, and hold Buyer, its successors, and assignees, harmless against claims, demands, administrative proceedings, fines, losses and damages, paid or incurred by Buyer, its successors or assignees, as a result of claims brought by third parties alleging any violations by Seller or its agents or contractors of Environmental Laws or the presence of any Hazardous Materials originating at the Property or at the adjoining property during the periods of Seller's ownership thereof (collectively, the "Indemnified Losses").

Seller hereby represents and warrants to Buyer that the Property is and shall be as of the date of execution hereof free of any type and kind of Hazardous Material as defined below, on, under or above the Property, affecting the surface and subsurface soil and ground-water in violation of Environmental Laws as defined below.

Seller shall be responsible for the remediation of any Hazardous Materials originating at the Property or at the adjoining property during the periods of Seller's ownership thereof, which may be present prior to the date of execution hereof in violation of Environmental Laws as defined below.

"Hazardous Materials" for the purposes of this Agreement, shall be defined as any hazardous, toxic, or chemical substance, wastes or other regulated materials by the applicable Environmental Laws (as such concept is defined below) including but not limited to electrical equipment and equipment of any kind containing polychlorated biphenyls ("PCBs"), oils, lubricants and other type of oils or hydrocarbon, asbestos products, underground tanks, chemicals and other substances which are known to be hazardous to person, property or the natural resources as well as any other material or substance which composition or physical or chemical state may be corrosive, reactive, toxic, explosive, flammable or biologically infectious; as well as explosives, guns or any other type of movables and substances regulated by the Ministry of Defense (SEDENA).

"Environmental Laws" for the purpose of this Agreement shall be defined as any law, regulation, rule or order regarding environment, safety and health, which is currently in effect by any governmental authority authorized in Mexico, of either federal, state or local level including but not limited to, the Law of Ecological Equilibrium and Protection of the Environment, General Law for the Prevention and Integral Management Waste its Regulations and any applicable Mexican Official Standards (NOMs).

SIXTH. Eviction and hidden title defects. Upon execution hereof, Seller shall guarantee absolute fee simple title over the Property in the event of eviction pursuant to Article 2003 of the Civil Code for the State of Chihuahua.

The sale of the Property shall be conducted "AS IS," "WHERE IS," "WITH ALL FAULTS" and in its current condition.

Except for Seller's warranty of title to the Property and any other express warranty or unless otherwise stated herein, Seller makes no other representations or warranties with respect to, and shall have no liability for: (1) the condition of the Property or any building, structure, or improvements thereon or the suitability, habitability, merchantability or fitness of the Property for Buyer's intended use or for any use whatsoever; (2) compliance with any building, zoning or fire laws or regulations or with respect to the existence of or compliance with any required permits, if any, of any governmental agency; (3) the availability or adequacy of any water, sewer, or utility rights and (4) the accuracy of any plans and specifications, reports, or other materials provided to Buyer that were not prepared by Seller (provided, however, that Seller has disclosed in writing to Buyer any inaccuracies in such documents and materials that are known to Seller).

Buyer hereby waives any and all claims which Buyer has or may have against Seller with respect to the condition of the Property, except for breach by Seller of the representations, warranties or covenants under this Agreement or the negligence or willful misconduct of Seller or its agents.

Notwithstanding anything to the contrary herein, subsequent to the date of execution hereof, (i) the Purchase Price shall be the cap on Seller's liability for breaching its representations and warranties under this Agreement and the same shall survive the execution hereof for a period of one (1) year; and (ii) Seller's liability for breaching its indemnities under this Agreement shall not exceed the Purchase Price, and the same shall survive the execution hereof for a period of three (3) years

SEVENTH. TAXES, COSTS AND EXPENSES.

Seller shall pay the Income Tax derived from the transfer of the Property and Buyer shall pay all others taxes and expenses derived therefrom, including but not limited to Value Added Tax derived from the price of the Building, Transfer Tax, notary fees and recording charges. Notwithstanding any other provision hereof, each party will be responsible for its own expenses, and those of its agents, auditors, attorneys and consultants incurred in connection with this Agreement, except for brokerage fees which the parties hereby agree that same shall be paid by Seller in the following way: 3% (three percent) of the purchase price to Viva Real Estate Group, LLC and 3% (three percent) of the purchase price to Best White.

EIGHTH. APPLICABLE LAW AND JURISDICTION.

This Purchase and Sale Agreement shall be construed and enforced in accordance with the provisions of the Civil Code for the State of Chihuahua. For the interpretation, compliance and enforcement of the present instrument, the parties hereby submit themselves to the jurisdiction of the competent courts in and for Ciudad Juarez, State of Chihuahua, United Mexican States, expressly waiving any other venue that may correspond due to their present or future domicile or due to any other reason whatsoever.

NINTH. DOMICILES.

All notices, demands and requests required under this Agreement shall be in writing and shall be deemed as properly given if served personally or by registered or certified mail, return receipt request, addressed to Seller or Buyer as the case may be, at its respective address last designated by notice to the other party for that purposes. Until Buyer and Seller shall designate other addresses, their addresses shall be as follows:

Seller: Lexmark Internacional, S.A. de C.V.
740 West New Circle Road
Lexington, KY 40550
United States of America
Attention: William S. Davis

Buyer: Aligntech de Mexico, S. de R.L. de C.V.
C/o Align Technology, Inc.
2560 Orchard Parkway
San Jose, CA 95050
United States of America
Attention: Mr. Roger E. George

TENTH. HEADINGS.

The Clauses and paragraph headings of this Agreement are for convenience only and in no way limit or enlarge the scope or meaning, construction or interpretation of the language hereof.

NOTARIAL RATIFICATION

CHECKLIST OF INFORMATION AND DOCUMENTS FOR ALIGN’S DUE DILLIGENCE

1	Copy of Powers of Attorney of Lexmark’s legal representative
2	Deed
3	Profepa’s closure document (environmental certificate)
4	Copy of current Property Tax payment receipts or Certificates of Indebtedness duly issued by the local cadastral office
5	Updated certificate of Lack of Liens issued by the Public Registry of Property
6	Copy of Zoning Certificate
7	Copy of all Municipal Construction Permits *
8	Copy of Municipal Occupancy/Acceptance Certificate(s) * or Copy of Notice of Construction given to Cadastral Office
9	Copies of all Construction Blueprints *
10	Copy of approvals granted by the Water Board (if any) in regards to the water and sewer services *
11	Industrial Park’s rules and covenants or Letter specifying there isn’t any
14	Maintenance Service Contracts or Contacts (trash, security, etc)
15	Environmental Permits
16	All documents related to the rights of use of the Water Tower

* Lexmark will provide requested documents only if they find those in their files.

CERTIFICATION

I, Thomas M. Prescott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Align Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2011

/s/ THOMAS M. PRESCOTT

Thomas M. Prescott

President and Chief Executive Officer

CERTIFICATION

I, Kenneth B. Arola, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Align Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2011

/s/ KENNETH B. AROLA

Kenneth B. Arola

Chief Financial Officer and Vice President, Finance

