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QUANTUM3D AND CG² ANNOUNCE MERGER

Merger to Unite Leading Open Architecture Hardware and Software Companies to Bring Integrated Innovation to Visual Simulation, Training and Embedded Visual Computing Markets

SAN JOSE, CA and HUNTSVILLE, AL – August 5, 2002 – Today Quantum3D®, Inc. and CG²®, Inc. announced the merger of the two companies. This merger expands on the companies' previous collaborative integration and development efforts, and establishes the merged company as the leading supplier of open architecture image generation solutions to the Visual Simulation and Training (VST) market, as well as an emerging leader in the Embedded Visual Computing (EVC) market. Under the merger, CG² will become a wholly owned subsidiary of Quantum3D. The companies will continue operating from their respective Huntsville, Alabama and San Jose, California headquarters under their current management teams.

"This announcement marks a significant milestone in our strategy of developing the most advanced solutions available for realtime visual computing," said Jeff Edson, president and CEO of Quantum3D. "By merging, we have combined the leading provider of open architecture image generation hardware and the leading provider of high-level visual simulation and training software—which we believe will enable us to deliver an unprecedented level of highly optimized, tightly integrated solutions for our markets."

"Quantum3D and CG² have already experienced tremendous synergy between the companies given the large volume of product integration and joint business we've won together," added David King, president of CG². "By bringing together our hardware and software engineering talent into one organization, combined with an ability to provide unified support and service, we believe we will meet the market's demand for a visual system solution provider that can deliver the best hardware and software technology in an integrated and well supported fashion."

The merger will provide both companies' customers with a single point of purchase for Quantum3D's industry leading PC-based image generation systems, combined with CG²'s industry-leading high-level visual simulation software. These integrated solutions, along with a unified support approach, will provide prime contractors, systems integrators and training systems providers with a highly optimized, scalable solution set that addresses a wide range of advanced, realtime visual computing applications. In addition to selling integrated visual system solutions, the companies will also continue to sell their respective software and system and component-level products to customers that desire to purchase at the component level and combine such products with third party or internally developed open architecture components.

"CG² and Quantum3D have pioneered the open architecture realtime visual computing market. While we share that legacy, we also share a common corporate business model that is based on partnerships with a range of companies that sell our products at all levels of integration," said Ross Q. Smith, Quantum3D co-founder and executive vice president of marketing and business development. "Our merger means we can now offer a higher level of integration to those customers that desire it, while still supporting each of our partners that prefer to buy our respective software or component-level hardware solutions."

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