

U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended September 30, 1999

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-24217

YP.NET, INC.  
(Name of Small Business Issuer in its Charter)

NEVADA 85-0206668  
(State or other jurisdiction of (IRS Employer  
incorporation or organization) Identification No.)

4840 EAST JASMINE STREET, SUITE 105 85205  
MESA, ARIZONA (Address of principal executive offices) (Zip Code)

(480) 654-9646  
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act: NONE  
Securities registered under Section 12(g) of the Exchange Act:  
COMMON STOCK, \$.001 PAR VALUE  
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 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 X.  
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Check if there is no disclosure of delinquent filers in response to Item  
405 of Regulation S-B contained in this form, and no disclosure will be  
contained, to the best of registrant's knowledge, in definitive proxy or  
information statements incorporated by reference in Part III of this Form 10-KSB  
or any amendment to this Form 10-KSB. [ ]

Registrant's revenues for its most recent fiscal year were \$8,572,185.

The aggregate market value of the common stock held by non-affiliates  
computed based on the closing price of such stock on August 14, 2000 was  
approximately \$12,189,406.

The number of shares outstanding of the registrant's classes of common  
stock, as of August 14, 2000 was 40,900,798.

Documents incorporated by reference: NONE

Transitional Small Business Disclosure Format (check one): Yes No X.  
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PART I

Except for historical information contained herein, this Form 10-KSB  
contains forward-looking statements within the meaning of Section 27A of the  
Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the  
Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend  
that the forward-looking statements be subject to the safe harbors created by  
these statutory provisions. Forward-looking statements involve risks and  
uncertainties and include, but are not limited to, statements regarding future  
events, plans and expectations. Wherever possible, we have identified the  
forward-looking statements by words such as "anticipates," "believes,"  
"contemplates," "estimates," "expects," "intends," "plans," "projects,"  
"forecasts" and similar expressions.

Our forward-looking statements reflect only our current views with respect  
to future events and financial performance or operations and speak only as of  
the date the statements are made. Our actual results may differ materially from  
such statements. Factors that may cause or contribute to such differences  
include, but are not limited to, those discussed in "Description of Business"  
and "Management's Discussion and Analysis of Financial Condition and Results of  
Operations," as well as elsewhere in this report and in the exhibits  
incorporated by reference.

Although we believe that the assumptions underlying the forward-looking  
statements in this Form 10-KSB are reasonable, any of these assumptions could  
prove inaccurate. In addition, our business and operations are subject to  
substantial risks, some of which are identified in this report and which  
increase the uncertainties inherent in the forward-looking statements included  
in this Form 10-KSB. There can be no assurance that the results contemplated in

these forward-looking statements will be realized.

The inclusion of forward-looking information should not be regarded as a representation by YP.Net or any other person that the future events, plans or expectations contemplated will be achieved. We disclaim any obligation to subsequently revise forward-looking statements to reflect subsequent events or circumstances or the occurrence of unanticipated events.

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

We are in the business of providing Internet-based yellow page listing services on our Yellow-Page.Net and yp.net Web sites. Our Web sites serve as a search engine for yellow page listings in the United States and Canada. We charge our customers for a "preferred" listing of their businesses on searches conducted by consumers through our Web sites. We currently have approximately 140,000 preferred listing customers on a monthly basis.

The predecessor company, Nuclear Corporations of New Mexico was incorporated in state of New Mexico in 1968 and the domicile was changed to the state of Nevada in 1994. Renaissance Center Inc. which was incorporated in 1996 in Nevada and Nuclear Corporation of New Mexico a Nevada Corporation were merged in 1997. Our Articles of Incorporation were restated in July, 1997 and our name was changed to Renaissance International Group, Ltd. Our name was later changed to RIGL Corporation effective July, 1998. Our original business involved the development of software to integrate digital multi-media equipment and components and later changed to focus on the development of software for the medical billing and practice management industry. None of these activities progressed beyond the developmental stage. In June, 1999, we acquired Telco Billing, Inc. and commenced our current operations through this entity.

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From August through December, 1999, we abandoned all subsidiaries previously involved in the multi-media software and medical billing and practice management areas. With the acquisition of Telco, our business focus shifted to the Internet yellow page services business and this business is currently our sole source of revenue. In October, 1999 we amended our Articles of Incorporation to change our corporate name to YP.Net, Inc. to better identify our company with our business focus. Telco is operated as a wholly-owned subsidiary of YP.Net.

OUR WEB SITES

We control the domain names Yellow-Page.Net and yp.net and maintain these Web pages for Internet access. At these Web sites, consumers can search an approximate 18 million listing database containing United States and Canadian businesses. We provide yellow page listings for these businesses along with directories and maps to the business location. We also provide nationwide 800 and 888 directory listings and search engines for e-mail addresses and persons. Our site offers stock quotes, job searches, travel services, news and weather information, movie reviews and listings, and entertainment and restaurant information.

Our directory search service integrates yellow page information by utilizing yellow page category headings in combination with a natural word search feature to provide a user-friendly interface and navigation vehicle. We enhance accuracy of responses to user queries by utilizing criteria searches in the directory services. This allows users to search by specific city, state and business categories.

We currently derive substantially all of our revenue from selling preferred listings in the search results on our Web sites. A preferred listing is displayed at the beginning of search results obtained by users in response to their specific queries. A preferred listing is enhanced on the display of search results and includes a "mini-Web page" listing where the preferred lister can utilize up to 40 words to advertise and provide additional information regarding its business. A preferred listing customer can also link its own Web page to the search results identifying the preferred lister. We are also developing banner advertisements and outside marketing efforts as an additional revenue source.

TECHNOLOGY AND INFRASTRUCTURE

We believe that one of our principal strengths is our internally developed technology, which we have designed specifically for handling our Internet-based data. Our technology architecture features specially designed capabilities to enhance performance, reliability and scalability of data regarding our preferred listing customers. These features consist of multiple proprietary software modules and processes that support the core internal functions of operations. The technologies include Customer Service Applications, Billing Applications, LEC Filtering Processes and Database Management.

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Customer Service Applications. We have designed proprietary Customer Service Applications to enable rapid development and management of information related to our preferred listing customers in a variety of formats. This application incorporates an automated retrieval system that integrates with our other technologies. This integration enables real-time updates to our database as our customer service representatives interact with and obtain data from our

preferred listing clientele. This application also operates in conjunction with the Billing Applications.

Billing Applications. Our billing process is primarily through local exchange carriers ("LECs") which are local telephone service providers. Our LEC billings are routed to the LEC's and appear on our preferred customers' telephone billing statements. To a lesser extent, we direct bill our preferred customers. Our Billing Applications facilitate both our LEC and direct billing functions.

LEC Filtering Processes. The LEC Filtering Processes are core technologies developed to enhance the applications that support our systems. By utilizing these processes, we are able to more accurately bill our preferred listers through the appropriate LEC. These processes are a vital component of our ability to aggregate content from multiple sources for our billing process. Information is sorted and updated with a method of maintaining an expanding heterogeneous database and allows disparate data sources to be combined and deployed through a single uniform interface, regardless of data structure or content. This allows a single database query to produce a single result set containing data extracted from multiple databases. Database clustering in this manner reduces the dependence on single data sources, facilitates data updates and reduces non-conforming data submitted to the LECs.

Database Management. We have also developed a proprietary database technology to address specific requirements of our business strategy and information infrastructure services. This technology enables us to provide our services with fewer service personnel. Our database is integrated with the applications modules and the LEC Filtering Processes. This database consists of our current and potential customers and is updated on a real-time basis as a customer's data is received from new listings or through our customer service representatives. We utilize this database to maintain customer service and monitor the quality of service provided by our customer service personnel. We also use the database to determine new products desired by our customers. Our technology has been specifically designed to function with a high degree of efficiency within the unique operating parameters of the Internet, as opposed to commonly used database systems.

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#### STRATEGIC ALLIANCES

In order to service users more effectively and to extend our Yellow-Page.Net brand to other Internet sources, we have entered into strategic

relationships with business partners offering content, technology and distribution capabilities. We utilize Worldpages.com as our data listing and

Web page hosting provider. Worldpages.com provides the server for our Web pages

and our search engine capabilities. We have a cross-listing arrangement with Superior Business Network ("SBN"). This cross-listing arrangement increases our circulation by an additional 10,000,000 page views per month.

We are members of the Yellow Page Publication Association and the Association of Directory Publishers. These organizations are trade associations for yellow page publishers that promote quality of published content and advertising methods.

In order to broaden Yellow-Page.Net's user base we have established

cross-linking relationships with operators of commercial Web sites and Internet access providers. We have over 400 affiliated Web sites that link to Yellow-Page.Net. We believe these arrangements are important to the promotion

of Yellow-Page.Net, particularly among new Web users that may access the

Internet through these other Web sites. These co-promotional arrangements typically are terminable at will. We also utilize Fax4free.com in a co-promotional effort to provide services to our Web site users to allow these users to receive and send unlimited facsimiles, and receive voicemail on e-mail at no charge.

Our future success will depend on our ability and to continue to integrate and distribute information services of broad appeal. Our ability to maintain our relationships with content providers and to build new relationships with additional content providers is critical to our marketing effect the success of our business.

#### BILLING SERVICE AGREEMENTS

In order to bill our preferred listing customers through their LECs, we are required to utilize one or more billing service integrators. These integrators have been approved by various LECs to provide billing, collection and related services through the LECs. We have entered into customer billing service agreements with Integretel, Inc. ("IGT") and with Enhanced Services Billing, Inc. ("ESBI") for these services. Under these agreements, our service providers bill and collect our charges to preferred listing customers through LEC billings. These amounts, net of reserves for bad debts, billing adjustments, telephone company fees and the integrator's fees, are remitted to us on a monthly basis.

#### MARKETING

Our primary marketing efforts are through direct mail solicitations that

utilize a promotional discount for listing in the form of a check. We market exclusively to businesses and focus on businesses that utilize traditional published yellow page services. We utilize our database as a source for our mailing list. We have also implemented a "customer satisfaction" program. Through this program we have retained a firm to contact each of our customers to update the customer information regarding the customers business and links to the customer's Web page if applicable.

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We intend to increase market share in our current markets through strategic acquisitions providing value-added services to our core business as well as other marketing campaigns. We are not presently a party to any acquisition agreement. We intend to develop marketing strategies to increase credibility and visibility of our Web page service to targeted markets. We also intend to promote value-added services and product areas. Our future success will depend on our ability to continue to integrate and distribute information services of broad appeal. Our ability to maintain and to build new relationships with content providers will be critical to the success of our business.

#### COMPETITION

We operate in the Internet services market, which is highly competitive and rapidly expanding. We compete with online services, other Web site operators and advertising networks, as well as traditional offline media such as television, radio, traditional yellow page directory publishers and print share advertising. Our services compete, or we expect to compete, with numerous directory, content, Web site production and other Internet information service providers. In particular, most larger LECs provide services similar to ours.

The principal competitive factors of these markets include personalization of service, ease and use of directories, quality and responsiveness of search results, availability of quality content, value-added products and services and access to end users. Competition among current and future suppliers of Internet navigational and informational services, high-traffic Web sites and Internet access providers, as well as competition with other media for advertising listings, could result in significantly lower prices for advertising and reductions in advertising revenues.

Most, if not all, of our competitors have capital resources greater than ours. These capital resources may allow our competitors to engage in advertising and other promotional activities that will enhance their brand name recognition. The LECs have the advantage of name recognition and far greater access to potential customers because they already provide these customers with local telephone exchange services.

We believe we can successfully compete in this market by providing quality services at competitive prices and due to the name recognition of our Web site.

#### REGULATION

The Federal Trade Commission has aggressively pursued what it perceives as deceptive practices related to direct mailer and other promotions and involving LEC billing type practices. We have been involved in a significant Federal Trade Commission enforcement action regarding these matters. See "Legal Proceedings" below.

We are also subject to provisions of the Federal Trade Commission Act that regulate advertising in all media, including the Internet, and require advertisers to substantiate advertising claims before disseminating advertising. The Federal Trade Commission has recently brought several actions charging deceptive advertising via the Internet and is actively seeking new cases involving advertising via the Internet.

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Due to increased use, laws and regulations relating to the Internet have been adopted. These include regulation issues related to user privacy, pricing, content, taxation, copyrights, distribution, and product and services quality. Concern regarding Internet user privacy has led to the introduction of federal and state legislation to protect Internet user privacy. In addition, the Federal Trade Commission has initiated investigations and hearings regarding Internet user privacy that could result in rules or regulations that could adversely affect our business. As a result, we could become subject to new laws and regulations that could limit our ability to conduct targeted advertising, or distribute or collect user information.

These or any other laws or regulations that may be enacted in the future could have several adverse effects on our business. These effects include substantial liability including fines and criminal penalties, the prevention of certain products or service offerings and the prevention or limitation of certain marketing practices. As a result of these and future laws and regulations, the growth in Internet usage could also be substantially limited.

#### EMPLOYEES

At August 31, 2000, we employed 16 full time personnel, including three software developers, five customer service representatives and eight administrative personnel. Our employees are not covered by any collective bargaining agreements.

#### ITEM 2. DESCRIPTION OF PROPERTY

Our corporate offices are located in Mesa, Arizona. We lease a 16,772

square foot facility for annual cost of approximately \$125,000 on a long-term operating lease through June 2003. As part of the consideration related to our license of the Yellow-Page.Net URL, we sublease approximately 8,000 square feet

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of leased space to Business Executive Services, Inc. through August 2003 for \$1.00 per year annual rent. See "Certain Relationships and Related Transactions."

We are also obligated on another lease for office space that was utilized prior to consolidating operations at the Mesa facility. The lease is through August 2002 and annual rent ranges from \$202,000 to \$280,000 through the remaining lease term. This space has been sublet for the full amount of the lease payment through its term. However, YP.Net remains obligated on the lease in the event the sub-tenant defaults.

#### ITEM 3. LEGAL PROCEEDINGS

We are currently involved in the following legal proceedings:

Federal Trade Commission. On June 26, 2000, the Federal Trade Commission ("FTC") filed a complaint in the United States District Court of Arizona against YP.Net, Inc., certain of its past and present officers and directors and other associated companies. The complaint alleged that YP.Net and the other defendants had engaged in deceptive advertising practices and sought certain preliminary injunctive remedies. The alleged deceptive practices related to the direct mailer solicitation utilized in our marketing activities.

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On July 13, 2000, YP.Net entered into a negotiated settlement of the matter with the FTC. Under the terms of a stipulated preliminary order, YP.Net specifically denied that any of its practices with respect to the direct mailer were deceptive or otherwise in violation of applicable law. The stipulated preliminary order specified that the settlement agreement with the FTC was not an admission of violation of any applicable law or rule or that any allegation made by the FTC was true. YP.Net and the FTC agreed to certain modifications of the mailer and related marketing program, and the FTC agreed that the modified mailer and program would not be considered by their agency to be deceptive. Upon hearing on July 13, 2000, the District Court approved the stipulated preliminary order. YP.Net anticipates that it will enter into a stipulated final consent decree with the same terms of the stipulated preliminary order. However, the FTC has requested additional terms to the consent decree, the majority of which are unacceptable and contrary to the terms of the settlement agreement and stipulated preliminary order.

A Women's Place. In August, 1999, we filed a lawsuit in Superior Court of Coconino County, Arizona against Holly K. Virgil, M.D., P.C. dba A Women's Place. Prior management had negotiated an agreement to provide this medical practice with management services and thereafter advanced interim funding. To current management's knowledge no services contract was entered into. We are seeking damages of approximately \$235,000 for recovery of advances. The defendant has counter-claimed for breach of contract and has claimed unspecified damages.

Hudson Consulting Group. We are a party to an interpleader action filed by American Registrar Transfer Agent, our stock transfer agent, in the Third Judicial Court for Salt Lake County, Utah. The suit names Bruce M. Pritchett, Hudson Consulting Group, Inc., Montana Capital International, Ltd. and Moore & Elrod, Inc., as well as YP.Net as defendants. Prior management had engaged the Hudson Consulting Group to obtain equity financing for the company. Current management became aware that the Hudson Consulting Group and its principals were involved in potential illegal activities and subject to Securities Exchange Commission enforcement action. Prior management had issued 2,000,000 shares of common stock to the Hudson Consulting Group for their services. Upon discovery of the potential illegal activity, current management instructed its transfer agent to stop all transfers of the subject shares. The Hudson Consulting Group and other defendants threatened litigation if the transfer agent refused the transfer of the shares in question. The transfer agent then filed an interpleader action to seek a court determination of the ownership of the shares and rights to transfer. YP.Net is seeking the return and cancellation of the shares. The Hudson Consulting Group and other defendants are seeking transfer of the shares and consequential damages.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the shareholders during the fourth fiscal quarter covered by this Form 10-KSB.

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#### PART II

#### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

##### OUR COMMON STOCK

Our common stock is traded in the over-the-counter market under the symbol "YPNT." Our symbol had been "RIGL" prior to October, 1999. Prior to March 23, 2000 our common stock was traded on the OTC Bulletin Board, but was delisted due to failure to timely file required reports under the Exchange Act, including this Form 10-KSB. We anticipate that our common stock will be relisted on the OTC Bulletin Board when all Exchange Act filings are current and other listing criteria has been satisfied.

The following table sets forth the quarterly high and low bid prices per share for the common stock, as reported by the OTC Bulletin Board for the periods stated. The quotations represent inter-dealer quotations, without adjustment for retail mark-up, markdown or commission and may not represent actual transactions.

FISCAL YEAR	QUARTER ENDED	HIGH	LOW
1998	December 31, 1997 . . . . .	\$2.50 . . . . .	\$.103
	March 31, 1998 . . . . .	\$2.37 . . . . .	\$.110
	June 30, 1998 . . . . .	\$3.50 . . . . .	\$.083
	September 30, 1998 . . . . .	\$1.94 . . . . .	\$.037
1999	December 31, 1998 . . . . .	\$0.50 . . . . .	\$.050
	March 31, 1999 . . . . .	\$1.19 . . . . .	\$.100
	June 30, 1999 . . . . .	\$1.50 . . . . .	\$.150
	September 30, 1999 . . . . .	\$1.06 . . . . .	\$.100

On September 30, 1999, there were approximately 650 shareholders of record of our common stock. The transfer agent for our common stock is American Registrar Transfer Agent in Salt Lake City, Utah.

DIVIDEND POLICY

Under Nevada law, dividends may only be paid out of net profits. Prior to our acquisition of Telco, no significant revenue had been generated. We have not paid, and do not currently intend to pay, cash dividends on our common stock in the foreseeable future. The current policy of the Board of Directors is to retain all earnings, if any, to provide funds for operation and expansion of our business. We are also subject to restrictions and restrictive covenants on the payment of dividends under the terms of our credit facility provided by Finova Financial, Inc. In addition to statutory and contractual requirements, the declaration of dividends, if any, will be subject to the discretion of the Board of Directors, which may consider such factors as our results of operations, financial condition, capital needs and acquisition strategies, among others.

SALES OF UNREGISTERED SECURITIES

During the fiscal year ended September 30, 1999, YP.Net issued a total of 23,094,500 shares of common stock and 1,700,000 shares of Series B preferred stock in reliance on exemptions from the registration requirements of the Securities Act.

In June, 1999, YP.Net issued 17,000,000 shares of common stock to acquire Telco in a stock for stock exchange. The shares were issued to the two shareholders of Telco in reliance on Section 4(2) of the Securities Act.

YP.Net issued 4,500,000 shares of its common stock to secure two promissory notes. In May, 1999, 2,500,000 shares were issued to secure a \$2,000,000 note payable and in June, 1999, 2,000,000 shares were issued to secure a separate \$2,000,000 note payable. Each note is a separate obligation with no contractual relationship between the two obligations. Unless a default on the obligation exists and the shares are transferred to the note holder, the shares are not voted. Upon payment of the note obligation, the shares securing such note are to be returned for cancellation. If YP.Net defaults under either note, shares may be distributed solely to the note holder in satisfaction of the defaulted obligation. If distributed, YP.Net anticipates that the shares will qualify for the exemption from registration as provided by Section 4(2) of the Securities Act.

Throughout the fiscal year ended September 30, 1999, YP.Net issued 1,694,500 shares of common stock to consultants and officers. The total value of these shares was determined to be \$2,145,178, which represents the trading value of the shares on the date YP.Net became obligated to issue the shares. The shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.

In September, 1999, YP.Net issued 400,000 shares of its common stock in cancellation of a \$350,000 debt. The shares were issued to a shareholder who had made a loan to YP.Net and who later became a director. The shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.

On January 1, 1999, YP.Net issued 1,500,000 shares of its Series B preferred stock to certain of its directors, officers and employees and an additional 2,000,000 shares on August 1, 2000. Shares of Series B preferred are convertible into shares of common stock at varying rates based on the trading price of the common stock upon conversion. The Series B shares are convertible only upon the trading price of the YP.Net common stock reaching or exceeding \$5.00 or net annual income reaching or exceeding \$5,000,000. The Series B preferred has no dividend rate or liquidation value. No consideration was paid for and no value was assigned to the Series B preferred shares for accounting purposes. The shares were issued in reliance on the exemption from registration under the Securities Act provided by Section 4(2) of the Securities Act. Current management is reviewing the propriety of the issuance and intends to seek rescission of these shares.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this report are forward-looking statements that

involve risks and uncertainties. Several factors could cause actual results to differ materially from those described in such forward-looking statements. These include our ability to manage growth, involvement in litigation, competition in the advertising market, ongoing contractual relationships, dependence upon key personnel, changes in customer attrition and the adoption of new, or changes in, accounting policies or practices and estimates and the application of such policies, practices, and estimates, and federal and state governmental regulation, specifically in the areas of Internet advertising products and services.

#### FISCAL 1999 OPERATIONS

General. Our operations changed in July, 1999 due to the acquisition of Telco Billing, Inc. Our prior operations in the multi-media software and medical billing and practice management areas were abandoned and our subsidiaries engaged in these operations were closed. With the acquisition of Telco, our business operations focused on Internet yellow page listing services. In September, 1999, our Board of Directors and shareholders approved a name change from RIGL Corporation to YP.Net, Inc. effective October 1, 1999. The name change was chosen to reflect our new focus on Internet strategy and yellow page Web sites.

Management Changes. In March, 1999, Tennessee Webb resigned as the Chairman of the Board and in April, 1999, Eugene Starr resigned as a director of YP.Net. In September of 1999, the resignations of Kevin Jones (Chief Executive Officer, Chairman of the Board, Chief Financial Officer, Treasurer and President), James Jones (Chief Technology Officer, President of RIGL Technologies, Inc.), Peter DeKray (Secretary and Chief Operating Officer), and Michael McKay (President of Renaissance Center Ltd.) were accepted to be effective October 1999. In February 2000, William O'Neal resigned as a director, General Counsel and Interim President effective March 1, 2000.

On February 3, 2000 a new Board of Directors was appointed by the sole remaining director, DeVal Johnson, Pamela Thompson and Greg Cessna having previously resigned as the only other remaining Board members after removal of prior management. The new board members included Angelo Tullo, Walter Vogel, Daniel L. Coury, Sr., Wallace Olsen, Jr., Gregory B. Crane and Harold Roberts. This change of management was initiated in part by changes in core business endeavors and strategies resulting from the acquisition of Telco and our focus on the Internet electronic yellow page advertising business.

Acquisition of Telco Billing, Inc. On June 16, 1999, we exchanged 17,000,000 shares of Telco common stock for all of the outstanding common stock of Telco. We also licensed the right to use the URL Yellow-Page.Net for a 20-year period for \$5,000,000. Our prior operations had not produced any meaningful results and it was doubtful if any material results would materialize from these operations. For financial accounting purposes, the acquisition was accounted

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for as a reverse merger and was treated as a recapitalization with Telco as the acquirer. The accompanying financial statements present the historical cost bases of assets and liabilities and results of operations of Telco. Subsequent to the merger, YP.Net ceased the previous operations and abandoned the assets related to those operations. The assets which were not abandoned are recorded at their historical cost. The recapitalization of Telco reflects the book value of the net assets of RIGL as of the date of the acquisition, June 16, 1999, of \$1,722,563.

Discontinued Operations. From September to December 1999, YP.Net closed down and ceased all operations conducted by its five subsidiaries engaged in multi-media software and medical billing and practice management operations. These included:

Renaissance Center, Ltd. This subsidiary was engaged in the design and implementation of asset management software for the multimedia and entertainment industry. The primary technology utilized by Renaissance Center, Ltd. was the Asset Management and Information Retrieval Environment (AMIRE). Management determined that the capital resources of YP.Net would no longer support the viability of the AMIRE system.

RIGL Technologies, Inc. RIGL Technologies, Inc. was responsible for the design and implementation of AMIRE. This research and development stage subsidiary was divested because management had misgivings regarding the heavy research and development expenditures incurred, and consequently, would no longer support any further capital funding for these concepts.

RIGL Medical Systems, Inc. RIGL Medical Systems, Inc. was to be responsible for creating the interface between the Medical AMIRE development team and the ultimate end users. This development stage subsidiary was divested because AMIRE and Medical AMIRE systems were deemed to be unprofitable resulting in this subsidiary no longer having business purpose and management would no longer support any further capital funding from YP.Net.

Medical Resource Systems, Inc. Medical Resource Systems, Inc., a subsidiary of RIGL Medical Systems, Inc. provided billing and collection services to physician groups, primarily in the Phoenix, Arizona metropolitan area. The subsidiary was acquired as a beta test site for the Medical AMIRE system. This development stage subsidiary was divested because Medical AMIRE

system was deemed to be unprofitable.

Mountain Office Management Systems, Inc. Mountain Office Management

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Systems, Inc., a subsidiary of RIGL Medical Systems, Inc., was expected to provide administrative support to physician practices. This development stage subsidiary was divested because the Medical AMIRE systems were deemed to be unprofitable and this line of business was abandoned.

#### RESULTS OF OPERATIONS

The acquisition of Telco was treated as a reverse merger for financial accounting purposes. As a result of being treated as a reverse merger, Telco was deemed to be the acquiring entity. For financial accounting purposes, Telco was considered to have engaged in a recapitalization and acquired the assets of

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RIGL as of June, 1999. As a result of this treatment, the financial statements for the year ended September 30, 1999 are the historic statements of Telco with the operations of "old" RIGL being included from June, 1999 forward.

The financial statements for the year ended September 30, 1998 reflect the historic operations of "old" RIGL. Financial statements for the year ended September 30, 1998 are not included in this Form 10-KSB, but are included in the Form 10-KSB for the fiscal year ended September 30, 1998. All comparisons of fiscal year operating results in this section are comparing historic operations of two distinct entities and are presented solely to compare predecessor operations with our current operations.

During the fiscal year ended September 30, 1999, significant shares of stock were issued to prior officers and consultants for services. The value of those shares was determined based on the trading value of the shares at the dates on which the agreements were made for the services. The expense recorded for that consideration is equal to 90% of the trading value of the shares as a discount for the regulatory restrictions on trading of those shares. During the year ended September 30, 1999, YP.Net issued 1,694,500 shares to consultants valued at \$2,145,178.00.

The cost of the Yellow-Page.Net URL was capitalized at its cost of  
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\$5,000,000. The URL is amortized on an accelerated basis over the twenty-year term of the licensing agreement. Amortization expense on the URL was \$149,166 for the year ended September 30, 1999. Annual amortization expense in future years related to the URL is anticipated to be approximately \$250,000.

Fiscal Year End September 30, 1999 Compared to Fiscal Year End September 30, 1998.

Revenues for the year ended September 30, 1999 increased 1,019% to \$8,572,185 from \$841,045 during the year ended September 30, 1998. The increase in revenue is principally the result of the acquisition of Telco's operations. Prior to the acquisition, no material operations had been commenced.

Sales and marketing expenses for the year ended September 30, 1999 increased to \$3,714,427. No sales and marketing expenses had been incurred during the year ended September 30, 1998. The increase was principally the result of expended marketing due to the operations of Telco. The marketing expenses are attributed to our direct response marketing, which is our primary source of attracting new customers.

General and administrative expenses for the year ended September 30, 1999 decreased 35% to \$1,731,209 from \$2,659,924 during the year ended September 30, 1998. The decrease was principally due to the change in our core business and the reduction of officer compensation, rent expenses and development costs and associated development stage endeavors.

Interest expense for the year ended September 30, 1999 increased 19,623.1% to \$410,319 from \$2,091 during the year ended September 30, 1998. The increase in interest expense was a result of increased debt due to the acquisition of Telco and the acquisition of the URL Yellow-Page.Net.  
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At September 30, 1999, YP.Net had unused available federal net operating losses of \$7,804,435 which expire from 2011 through 2014. YP.Net also has available net operating loss carry forward of \$2,744,800 and has unavailable net operating loss carry forward of \$5,059,634. YP.Net may only utilize the unavailable net operating loss of \$5,059,634 upon generating taxable income at the parent company level.

At September 30, 1999, YP.Net had unused state net operating losses of \$5,750,373 expiring 2003. YP.Net had available net operating loss carry forward of \$2,744,800 and an unavailable net operating loss carry forward of \$3,005,572. YP.Net may only utilize the unavailable net operating loss of \$3,005,572 upon generating taxable income at the parent company level.

Net losses for the year ended September 30, 1999 were \$4,363,687, or \$.20 per share, compared to losses of \$1,941,202, or \$.17 per share the year ended September 30, 1998.

LIQUIDITY AND CAPITAL RESOURCES



Our cash balance increased to \$255,324 at year ended September 30, 1999 from \$30,252 at the year ended September 30, 1998. We funded working capital requirements primarily from cash generated from financing activities and utilized cash in operating activities and investing activities. We have a credit facility used primarily to finance our receivables.

Operating Activities. Cash used by operating activities decreased for the year ended September 30, 1999 to \$691,780 compared to \$1,770,397 from the year ended September 30, 1998, a 78% decrease. The principal source of our operations revenue is from sales of electronic yellow page advertising.

Investing Activities. Cash used by investing activities was \$106,512 for the year ended September 30, 1999 compared to \$478,409 for the year ended September 30, 1998. We purchased \$230,662 of additional computer equipment to upgrade and replace incompatible equipment. We used \$3,000,000 for partial payment of the purchase of the 20-year license right to the URL Yellow-Page.Net, -----  
the domain name for our Web site. We obtained cash in the amount of \$3,124,150 which was utilized in the business combination.

Financing Activities. Cash flows provided from financing activities were \$1,023,364 in the year ended September 30, 1999 compared to \$2,604,135 for the year ended September 30, 1998, a 61% decrease. We had cash inflow from the financing arrangements in the amount of \$788,306 and from the sale of common stock of \$629,681. We had cash outflow for notes paid in the amount of \$394,623.

We incurred debt in the acquisition of the license right to the Yellow-Page.Net URL. A total of \$4,000,000 was borrowed, \$2,000,000 from Joseph and Helen VanSickle and \$2,000,000 as a carry-back from Matthew & Markson Ltd. Management has dedicated payments in the amount of \$100,000 per month for the payment of the VanSickle note. Management has also dedicated payments to the

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Matthew & Markson note in the amount of \$100,000 per month, with the provision that no payment be made if YP.Net has less than 30 days operating capital reserved, or if it is in an uncured default with any of its lenders. A total of 4,000,000 shares were issued to secure these notes and are held in escrow.

Collections on accounts receivables are received primarily through the billing service integrators under contract to administer this billing and collection process. The billing service providers generally do not remit funds until they are collected. The billing companies maintain holdbacks for refunds and other uncertainties. Generally, cash is collected and remitted to YP.Net over a 90 to 120 day period subsequent to the billing dates.

At September 30, 1999, YP.Net had a working capital deficiency of \$3,873,008. Subsequent to September 30, 1999, YP.Net restructured certain debt and has increased the volume of its operations resulting in elimination of that deficit at June 30, 2000. Management believes that it will have sufficient working capital to implement its business plan.

YP.Net markets its products primarily through the use of direct mailers to businesses throughout the United States. YP.Net generally pays for these marketing costs when incurred and amortizes the costs of direct-response advertising on a straight-line basis over eight months. The amortization lives are based on estimated attrition rates. During the year ended September 30, 1999, YP.Net paid \$2,029,575 for direct-response advertising. Management anticipates the outlays for direct-response advertising to remain consistent over the near term.

YP.Net does not intend to incur significant capital expenditures in the near term.

Financial Institution Lending Agreements. We have an existing asset-based collateralized line of credit with Finova Financial, Inc. Recently, Finova has requested YP.Net to execute a forbearance agreement that will extend the line of credit terms to October 3, 2000. Finova has requested that YP.Net seek a lender that can accommodate its specialized Internet advertising business along with its LEC billing practices. As a result, management has decided to seek other potential lenders that specialize in this area of financing.

We have received a proposal from RFC Capital, a LEC billing financial factoring company, and we have presented a loan request to Pacific Century Bank for a line-of-credit facility of at least \$3,000,000 to replace the facility provided by Finova.

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ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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INDEPENDENT ACCOUNTANTS' REPORT  
-----

To the Stockholders and Board of Directors of  
YP.Net, Inc.:

We have audited the accompanying balance sheet of YP.Net, Inc. as of September 30, 1999 and the related statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YP.Net, Inc. as of September 30, 1999, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

/s/ KING, WEBER & ASSOCIATES, P.C.  
Tempe, Arizona  
June 12, 2000

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YP.NET, INC.

CONSOLIDATED BALANCE SHEET  
SEPTEMBER 30, 1999  
-----

ASSETS:

CURRENT ASSETS

Cash	\$ 255,323
Accounts receivable, net of allowance of \$206,012	951,177
Customer acquisition costs, net of accumulated amortization of \$1,395,675	633,900
Other receivable	77,182
Prepaid expenses and other assets	14,650
Deferred income taxes	91,172

Total current assets 2,023,404

PROPERTY AND EQUIPMENT, net 435,898

DEPOSITS 13,287

INTELLECTUAL PROPERTY- URL, net of accumulated amortization of \$159,166 4,850,834

DEFERRED FINANCING COSTS 123,750

TOTAL ASSETS \$ 7,447,173  
=====

LIABILITIES AND STOCKHOLDERS' EQUITY:

CURRENT LIABILITIES:

Accounts payable	\$ 55,000
Accrued liabilities	447,360
Line of credit	788,306
Notes payable - current portion	4,020,559
Deferred revenue	324,760
Income taxes payable	260,427

Total current liabilities 5,896,412

DEFERRED INCOME TAXES 70,865

NOTES PAYABLE - long-term portion 7,241

Total liabilities 5,974,518  
-----

STOCKHOLDERS' EQUITY:

Series B preferred stock, \$.001par value, 2,500,000 shares designated, 1,700,000 issued	1,700
Common stock, \$.001 par value, 50,000,000 shares authorized, 39,156,853 issued and outstanding	39,157
Paid in capital	4,892,538
Treasury stock at cost	(69,822)
Accumulated deficit	(3,390,918)
Total stockholders' equity	1,472,655
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 7,447,173

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

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YP.NET, INC.

CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 1999

NET REVENUES	\$ 8,572,185
OPERATING EXPENSES:	
Cost of services	4,760,026
General and administrative expenses	1,731,209
Sales and marketing expenses	3,714,427
Depreciation and amortization	192,469
Total operating expenses	10,398,131
OPERATING LOSS	(1,825,946)
OTHER (INCOME) AND EXPENSES	
Interest expense	410,319
Interest income	(5,401)
Total other expense	404,918
LOSS BEFORE DISCONTINUED OPERATIONS AND INCOME TAXES	(2,230,864)
INCOME TAX PROVISION	240,119
LOSS FROM CONTINUING OPERATIONS	(2,470,983)
LOSS FROM DISCONTINUED OPERATIONS	
Loss from operations of medical billing services segment (no effect for income taxes)	(221,194)
Loss from abandonment of medical billing services segment (no effect for income taxes)	(1,671,510)
Total	(1,892,704)
NET LOSS	\$ (4,363,687)
NET LOSS PER SHARE:	
Basic:	
Continuing operations	\$ (0.11)
Discontinued operations	(0.09)
Total Basic	\$ (0.20)
Diluted:	
Continuing operations	\$ (0.11)
Discontinued operations	(0.09)
Total Diluted	\$ (0.20)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:	
Basic	22,223,757
Diluted	22,223,757

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

<TABLE>  
<CAPTION>

## YP.NET, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY FOR THE  
FOR THE YEAR ENDED SEPTEMBER 30, 1999

	COMMON SHARES	STOCK AMOUNT	PREFERRED A SHARES	A AMOUNT	TREASURY STOCK	PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE OCTOBER 1, 1998	17,000,000	\$ 17,000	-	\$ -	\$ -	\$ -	\$ 972,769	\$ 989,769
Reverse merger	14,714,603	14,715			(69,822)	1,777,670		1,722,563
Common stock issued for service rendered	1,694,500	1,695				2,143,483		2,145,178
Common stock issued for cash	847,750	848				627,985		628,833
Common stock issued as collateral for on note payable	2,000,000	2,000				(2,000)		0
Common stock placed in escrow as collateral on debt	2,500,000	2,500				(2,500)		0
Employee preferred stock grants			1,700	1,700		(1,700)		0
Conversion of debt	400,000	400				349,600		350,000
Net loss							(4,363,687)	(4,363,687)
BALANCE SEPTEMBER 30, 1999	39,156,853	\$ 39,157	1,700	\$ 1,700	\$ (69,822)	\$ 4,892,538	\$ (3,390,918)	\$ 1,472,655

The accompanying notes are an integral part of these consolidated financial statements  
</TABLE>

<TABLE>  
<CAPTION>  
YP.NET, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE  
YEAR ENDED SEPTEMBER 30, 1999

<S>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net (loss)	\$ (4,363,687)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Loss from discontinued operations	221,194
Loss on abandonment of net assets of discontinued operations	1,671,510
Depreciation and amortization	30,338
Issuance of common stock as compensation for services	2,146,872
Loss on disposal of equipment	89,319
Deferred income taxes	(20,478)
Conversion of accrued interest to common stock	100,000
Amortization of intellectual property	149,166
Changes in assets and liabilities (net of business acquisitions and divestures):	
Trade and other accounts receivable	(124,826)
Customer acquisition costs	(264,981)
Other receivables	(32,671)
Prepaid and other current assets	(9,616)
Other assets	49,525
Accounts payable	(71,348)
Accrued liabilities	202,289
Income taxes payable	260,427
Deferred revenue	324,760
Cash provided by continuing operations	357,793
Cash used by discontinued operations	(1,049,574)
Net cash (used in) operating activities	(691,781)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of equipment	(230,662)
Purchase of intellectual property	(3,000,000)
Cash acquired in business acquisition	3,124,150
Net cash (used in) investing activities	(106,512)
CASH FLOWS FROM FINANCING ACTIVITIES:	

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from borrowings on line of credit	788,306
Principal repayments on notes payable	(394,623)
Proceeds from sale of common stock	629,681
	-----
Net cash provided by financing activities	1,023,364
	-----
INCREASE IN CASH	225,071
CASH, BEGINNING OF YEAR	30,252
	-----
CASH, END OF YEAR	\$ 255,323
	=====

The accompanying notes are an integral part of these consolidated financial statements.  
</TABLE>

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YP.NET, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS, (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 1999

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid	\$ 64,677
	=====
Income taxes paid	\$ -0-
	=====

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Conversion of debt to common stock	\$ 250,000
	=====
Note payable issued for purchase of intellectual property	\$ 2,000,000
	=====
Common stock issued for business acquisition	\$ 1,722,563
	=====

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

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YP.NET, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 1999

1. ORGANIZATION AND BASIS OF PRESENTATION

YP.Net, Inc. (the "Company"), formally RIGL Corporation, had previously attempted to develop software solutions for medical practice billing and administration. The Company had made acquisitions of companies performing medical practice billing services as test sites for its software and as business opportunities. The Company was not successful in implementing its medical practice billing and administration software products and looked to other business opportunities. The Company acquired Telco Billing Inc. ("Telco") in June 1999, through the issuance of 17,000,000 shares of the Company's common stock. Prior to its acquisition of Telco, RIGL had not generated significant or sufficient revenue from planned operations.

Telco was formed in April 1998, to provide advertising and directory listings for businesses on its Internet Web site in a "Yellow Page" format.

Telco provides those services to its subscribers for a monthly fee. These services are provided primarily to all business throughout the United States. Telco became a wholly owned subsidiary of YP.Net, Inc. after the June 16, 1999 acquisition.

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and includes the accounts and results of operations of the Company and Telco, its wholly owned subsidiary, for the year ended September 30, 1999. The consolidated results of operations and cash flows for the year ended September 30, 1999 include that of Telco for the year ended September 30, 1999, and the Company from the June 16, 1999 acquisition date through September 30, 1999.

At the time that the transaction was agreed to, the Company had 12,567,770 common shares issued and outstanding. As a result of the merger transaction with Telco, there was 29,567,770 common shares outstanding, and the former Telco stockholders held approximately 57% of the Company's voting stock. For financial accounting purposes, the acquisition was a reverse acquisition of the Company by Telco, under the purchase method of

accounting, and was treated as a recapitalization with Telco as the acquirer. Accordingly, the historical financial statements have been restated after giving effect to the June 16, 1999, acquisition of the Company. The financial statements have been prepared to give retroactive effect to October 1, 1998, of the reverse acquisition completed on June 16, 1999, and represent the operations of Telco. Consistent with reverse acquisition accounting: (i) all of Telco's assets, liabilities, and accumulated deficit, are reflected at their combined historical cost (as the accounting acquirer) and (ii) the preexisting outstanding shares of the Company (the accounting acquiree) are reflected at their net asset value as if issued on June 16, 1999.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash: Cash includes all short-term highly liquid investments that are -----

readily convertible to known amounts of cash and have original maturities of three months or less. At times cash deposits may exceed government insured limits. At September 30, 1999, cash deposits exceeded those insured limits by \$89,000.

Principles of Consolidation: The consolidated financial statements include -----

the accounts of the Company and its wholly owned subsidiary, Telco Billing Company. All significant intercompany accounts and transactions are eliminated.

Customer acquisition costs: These costs represent the direct response -----

marketing costs that are incurred as the primary method by which customers subscribe to the Company's services. The Company purchases mailing lists and sends advertising materials to prospective subscribers from those lists. Customers subscribe to the services by positively responding to those advertising materials which serve as the contract for the subscription. The Company capitalizes and amortizes the costs of direct-response advertising on a straight-line basis over eight months. The amortization lives are based on estimated attrition rates.

The Company also incurs advertising costs that are not considered direct-response advertising. These other advertising costs are expensed when incurred. These advertising expenses were \$168,744 for the year ended September 30, 1999.

Property and equipment: These assets are stated at cost less accumulated -----

depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 5 years. Depreciation expense for the year ended September 30, 1999 was \$30,338.

Revenue recognition: The Company's revenue is generated by customer -----

subscription of directory and advertising services. Revenue is billed and recognized monthly for services subscribed in that specific month. The Company utilizes outside billing companies to transmit billing data, much of which is forwarded to Local Exchange Carriers ("LECs") that provide local telephone service. Monthly subscription fees are generally included on the telephone bills of the customers. The Company recognizes revenue based on net billings accepted by the LEC's.

Some customers subscribe for a full year of service and pay in advance for the service. The revenue associated with these subscriptions is deferred and recognized ratably over twelve months.

Income taxes: The Company provides for income taxes based on the provisions -----

of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which, among other things, requires that recognition of deferred income taxes be measured by the provisions of enacted tax laws in effect at the date of financial statements.

Financial Instruments: Financial instruments consist primarily of cash, -----

accounts receivable, and obligations under accounts payable, accrued expenses and notes payable. The carrying amounts of cash, accounts receivable, accounts payable, accrued expenses and notes payable approximate fair value because of the short maturity of those instruments. The Company has applied certain assumptions in estimating these fair values. The use of different assumptions or methodologies may have a material effect on the estimates of fair values.

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Net loss per share: Net loss per share is calculated using the weighted -----

average number of shares of common stock outstanding during the year. The Company has adopted the provisions of SFAS No. 128 Earnings Per Share.

Use of Estimates: The preparation of financial statements in conformity -----

with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock-Based Compensation: Statements of Financial Accounting Standards No.

-----  
123, "Accounting for Stock-Based Compensation, ("SFAS 123") established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation. In accordance with SFAS 123, the Company has elected to continue accounting for stock based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The proforma effect of the fair value method is discussed in Note 15.

Impairment Loss: Impairment of long-lived assets is assessed by the Company

-----  
for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows generated by those assets to the assets' net carrying value. The amount of impairment loss, if any, is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

### 3. ACCOUNTS RECEIVABLE

The Company provides billing information to third party billing companies for the majority of its monthly billings. Billings submitted are "filtered" by these billing companies and the LEC's. Net accepted billings are recognized as revenue and accounts receivable. The billing companies remit payments to the Company on the basis of cash ultimately received from the LEC's by those billing companies. The billing companies and LEC's charge fees for their services which are netted against the gross accounts receivable balance. The billing companies also apply holdbacks for the remittances for potentially uncollectible accounts. The Company estimates uncollectible account balances and provides an allowance for such estimates.

The Company has entered into a customer billing service agreement with Integretel, Inc. on January 6, 1998, which was amended on April 2, 1998 and again on September 1, 1999. Integretel provides billing and collection and related services. Determining the net realizable value requires an estimation of both uncollectible receivables or any returns and allowances. The trade receivable due from Integretel at September 30, 1999 was \$304,423. These receivables have been reduced by an allowance for doubtful accounts of \$43,825.

The Company has also entered into a customer billing service agreement with Olympic Telecommunications, Inc. on June 2, 1998. Olympic provides billing and collection and related services. Determining the net realizable value requires an estimation of both uncollectible receivables or any returns and allowances. The trade receivable due from Olympic at September 30, 1999 was \$180,102.

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The Company has also entered into a customer billing service agreement with Enhanced Services Billing, Inc. (ESBI). ESBI provides billing and collection and related services. Determining the net realizable value requires an estimation of both uncollectible receivables or any returns and allowances. The trade receivable due from ESBI at September 30, 1999 was \$592,235 less aggregated amounts for Telco fees, and reserve holdbacks based on dilution. This trade receivable has been reduced by an allowance for doubtful accounts of \$162,187.

Trade subscription receivables, which are directly administered and carried by the Company, are valued and reported at net realizable value, the net amount expected to be received. This amount may or may not be necessarily the amount received. Determining the net realizable value requires an estimation of both uncollectible accounts or any returns and allowances. The net trade subscriptions receivable at September 30, 1999 was \$75,929.

### 4. INTELLECTUAL PROPERTY

In connection with the Company's acquisition of Telco, the Company was required to provide accelerated payment of license fees for the use of the Internet domain name or Universal Resource Locator (URL) Yellow-Page.Net.

-----  
Telco had previously entered into a 20-year license agreement for the use of the URL with one of its two 50% stockholders. The original license agreement required annual payments of \$400,000. However, the agreement stated that upon a change in control of Telco, a \$5,000,000 accelerated payment is required to maintain the rights under the licensing agreement. The URL holder agreed to discount the accelerated payments from \$8,000,000 to \$5,000,000 at the time of the acquisition. The Company agreed to make that payment upon effecting the acquisition of Telco.

The Company made a \$3,000,000 cash payment and issued a note payable for \$2,000,000 to acquire the licensing rights of the URL. The Company also issued 2,000,000 shares of its common stock to be held as collateral on the note. The note payable was originally due on July 15, 1999. The Company failed to make the \$2,000,000 payment when due. The repayment terms were renegotiated to extend the due date to January 15, 2000. An extension fee of \$200,000 was paid by the Company at that time. The Company again

renegotiated the repayment terms on April 26, 2000, to a demand note, with monthly installments of \$100,000 subject to all operating requirements, which have been met by the Company. The URL is recorded at its cost net of accumulated amortization. Management believes that the Company's business is dependent on its ability to utilize this URL given the recognition of the yellow page term. Management believes that the current revenue and cash

flow generated through use of Yellow-Page.Net substantiates the net book

value of the asset. The Company will periodically analyze the net book value of this asset and determine if an impairment has been incurred. The URL is amortized on an accelerated basis over the twenty-year term of the licensing agreement. Amortization expense on the URL was \$149,166 for the year ended September 30, 1999.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 1999:

Leasehold improvements	\$ 287,507
Furnishings and fixtures	105,333
Office and computer equipment	159,891
	-----
Total	552,731
Less accumulated depreciation	(116,833)
	-----
Property and equipment, net	\$ 435,898
	=====

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6. NOTES PAYABLE AND LINE OF CREDIT

Notes payable at September 30, 1999 are comprised of the following:

3,000,000 Revolving line of credit, interest at the prime rate plus 3% (11.25% at September 30, 1999). The facility is limited to 80% of eligible accounts receivable. Assets of the Company collateralize the credit facility. The credit facility expires on August 31, 2003. The institution may withdraw the line with a notification within 90 days

\$ 788,306

Term loan from bank. Original balance of \$40,525. Repayment terms require monthly installments of principal and interest of \$1,844. Interest at 8.5% per annum. Due January 1, 2001. Collateralized by equipment

27,800

Note payable to stockholders, original balance of 2,000,000, interest at 8% per annum. Interest payments due monthly through due date of November 11, 1999 Collateralized by 2,000,000 shares of the Company's common stock. Subsequent to September 30, 1999, the repayment terms were subsequently renegotiated extending the due date to January 11, 2001 with monthly payments of \$100,000 plus interest

2,000,000

Note payable to former Telco shareholder for balance of URL purchase price (Note 4). Repayment terms have been extended requiring monthly installments of principal and interest at 20% per annum of \$100,000 and due upon demand. Collateralized by 2,000,000 shares of the Company's common stock

2,000,000

Totals	4,816,106
Less current portion	(4,808,865)
Long-term portion	\$ 7,241

Principal payments due as follows:

Years ended September 30:	2000	\$ 4,808,865
	2001	7,241
		-----
Total		\$ 4,816,106
		=====

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7. BUSINESS COMBINATION

On June 16, 1999, the Company exchanged 17,000,000 shares of common stock for all of the common stock of Telco Billing Company ("Telco"). Prior to the merger, the Company had not yet commenced material operations. For financial accounting purposes, the acquisition was accounted for as a reverse merger and was treated as a recapitalization with Telco as the acquirer. The accompanying financial statements present the historical cost bases of assets and liabilities and results of operations of Telco. Subsequent to the merger, the Company ceased its previous operations and abandoned assets related to those operations. The remaining Company assets



are recorded at their historical cost. The recapitalization of Telco reflects the book value of the net assets of RIGL as of the date of the merger as of June 16, 1999 of \$1,722,563.

8. DISCONTINUED OPERATIONS

Effective with the acquisition of Telco on June 16 1999, the Company determined that it would abandon its efforts to develop and market the medical practice billing and administration business. The operations for this segment are reflected as discontinued operations in the accompanying statement of operations. Revenues of this segment were \$160,154 for the year ended September 30, 1999. The Company divested asset balances totaling \$1,646,000 related to this segment. The disposed components are as follows:

Capitalized software costs	\$ 673,000
Goodwill	152,000
Security deposits	62,000
Receivables	436,000
Other	323,000
	-----
Total	\$1,646,000
	=====

9. PROVISION FOR INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized, if appropriate. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the net operating loss period. The Company has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes.

At September 30, 1999 the Company has unused federal net operating losses of \$7,804,435 available under Internal Revenue Code 382 - change in control rules expiring from 2011 through 2014. The Company has available net operating loss carry forward under the separate return limitation year of \$2,744,800 and has unavailable net operating loss carry forward of \$5,059,634. The Company may utilize the unavailable net operating loss of \$5,059,634 upon generating taxable income in that operating entity.

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At September 30, 1999 the Company has unused state net operating losses of \$5,750,373 available under the change in control rules expiring 2003. The Company has available net operating loss carry forward under the separate return limitation year of \$2,744,800 and has unavailable net operating loss carry forward of \$3,005,572. The Company may utilize the unavailable net operating loss of \$3,005,572 upon generating taxable income in that operating entity.

Prior to the acquisition date of June 16, 1999 RIGL agreed to assume the tax liability of Telco for the taxable income generated prior to June 16, 1999. The provision for income taxes is computed based on the pretax income generated prior to the acquisition of Telco. The current income tax provision of \$260,427, less a net deferred benefit \$20,478, related to Telco for the year ended September 30, 1999, has been included in the statement of income.

Income taxes for year ended September 30, 1999 is summarized as follows:

Current (Benefit)	\$ (1,708,515)
Deferred Benefit (Provision)	1,948,634
	-----
Net income tax provision	\$ 240,119
	=====

The net income tax provision of \$240,119 incurred for the year ended September 30, 1999, was allocated to continuing operations. This provision amount relates primarily to taxable income of Telco prior to the acquisition. The loss from discontinued operations generated additional net operating loss carryforwards which were fully offset by a valuation allowance resulting in no tax effect.

A reconciliation for the differences between the effective and statutory income tax rates is as follows:

Federal statutory rates	\$ (1,402,013)	(34)%
State income taxes	(329,885)	( 8)%
Provision due to income generated prior to merger	260,597	6 %
Valuation allowance for operating loss carryforwards	1,694,534	42 %
Other	16,887	-
	-----	
Effective rate	\$ 240,119	6 %
	=====	

Deferred tax assets totaling \$2,632,000 are substantially offset by a valuation allowance of \$2,541,000 resulting in a net deferred income tax asset of \$91,172. The valuation allowance was provided due to the uncertainty of future realization of federal and state net operating loss carryforwards that give rise to approximately \$2,541,000 of the deferred tax asset. The balance of the deferred tax asset relates to differences in book and tax accounting relative to the previous allowances on accounts receivable and compensation. The valuation allowance increased \$1,694,534 in the year ended September 30, 1999, due to uncertainties as to the Company's ability to generate sufficient taxable income to utilize the net operating loss carryforwards because of the change in control matters discussed above.

10. LEASES

The Company leases its office space under long-term operating leases expiring through 2003. Rent expense under these leases was \$87,250 for the year ended September 30, 1999. The Company consolidated office space from a variety of locations to a single facility. The Company has subleased the former Telco office space.

Future minimum annual lease payments and sublease rentals under operating lease agreements for years ended September 30, 1999: Sublease

	Rents -----	Rentals -----
2000	\$ 351,095	\$ 202,571
2001	407,676	280,212
2002	392,862	265,398
2003	95,598	-
	-----	-----
	\$ 1,247,231	\$ 748,181
	=====	=====

11. STOCKHOLDERS' EQUITY

Telco Acquisition  
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The Company issued 17,000,000 shares of its Common Stock in connection with the Telco acquisition. The transaction was valued at the book value of the net assets of RIGL as of the date of the transaction.

Actions of the Board  
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Significant blocks of stock have been issued to prior officers and consultants for services rendered. It is not possible to determine the effect, if any, of bringing current the required Exchange Act of 1934 (the "1934 Act") filings and the financial statements and disclosures contained therein, may have on the actions of current or former shareholders of the Company affected by these transactions. The value of those shares was determined based on the trading value of the stock at the dates on which the agreements were made for the services. The expense for that consideration is 90% of the trading value of the shares to factor in a discount for the regulatory restrictions on trading of those shares. During the year ended September 30, 1999, the Company issued 1,694,500 shares to officers and consultants valued at \$2,145,178.

Other  
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During the year ended September 30, 1999, the Company issued 4,500,000 shares of its common stock as collateral on two notes payable. The shares are held in escrow pending repayments of the obligations. Both notes have been restructured, extending the due dates. The shares are non-voting as long as they are held in escrow. These shares are not included in the weighted average shares outstanding for purposes of calculating the Company's basic net loss per common share for the year ended September 30, 1999.

During the year ended September 30, 1999, the Company issued 400,000 shares of its common stock as conversion of the remaining balance of a note payable. The unpaid principal balance of the note converted was \$250,000 and accrued interest of \$100,000 was also converted.

The Company granted 1,700,000 shares of Series B preferred stock to certain employees during the year ended September 30, 1999. The Series B preferred stock has no stated dividend. The preferred shares are convertible to common stock at the option of the holder. The shares are convertible at varying rates depending upon the trading price of the common stock at the time of conversion. The initial conversion rate is one share of common for each share of preferred. Conversion may not occur until certain "trigger events" occur and all rights with respect to the preferred shares terminate on November 30, 2004. "Trigger events" are defined as trading prices of the Company's common stock reaching or exceeding \$5 through \$10 per share and net income reaching or exceeding \$5,000,000. No value was assigned to the

preferred shares in the accompanying balance sheet nor was any compensation expense recognized for the year ended September 30, 1999, because the preferred shares were not exercisable at the time of issuances because of the failure of the Company to meet the "trigger events". Subsequently, new management has cancelled the Series B preferred stock and rescinded those issuances

#### Effects of Delinquent Filings on Market Activity

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The Company is delinquent in its filings under the 1934 Act. The last filing was the June 30, 1998 Form 10-QSB. Significant trading of the Company stock has occurred by both related and unrelated parties during the period subsequent to its filing. It is not possible to determine the effect, if any, of bringing current the required 1934 Act filings and the financial statements and disclosures contained therein, may have on the actions of current or former shareholders of the Company affected by these revisions.

#### Effects of Delinquent Filings on Rule 144 and Reg S Stock Issuances

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The Company has been delinquent in its public filings but has attempted to keep the public informed through press releases and 8-K filings while it makes a concerted effort to become current in its filings. The Company is determining the factual issues of this matter and is currently unable to determine the materiality of violations, if any, or their impact on the financial statements of the Company.

## 12. COMMITMENTS AND CONTINGENCIES

### Telco Billing

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The acquisition of Telco by the Company called for the issuance of 17,000,000 new shares of stock in exchange of the existing shares of Telco. As part of that agreement, the Company gave the former shareholders the right to "Put" back to the Company certain shares of stock at a minimum stock price of 80% of the current trading price with a minimum strike price of \$1.00. The net effect of which was that the former Telco shareholders could require the Company to repurchase shares of stock of the Company at a minimum cost of \$10,000,000. The agreement required the Company to attain certain market share levels.

New management has renegotiated the "Puts," by which the "Puts" were retired and the Company provided a credit facility of up to \$5,000,000 to the former Telco shareholders, collateralized by the stock held by the shareholders, with interest at least 0.25 points higher than the Company's average cost of borrowing. Additional covenants warrant that no more than \$1,000,000 can be advanced at any point in time and no advances can be made in excess without allowing at least 30 days operating capital plus reserve or if the company is in an uncured default with any of its lenders.

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### Billing Service Agreements

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The Company has entered into a customer billing service agreement with Integretel, Inc. (IGT) on January 6, 1998, which was amended on April 2, 1998 and again on September 1, 1999. IGT provides billing and collection and related services associated to the telecommunications industry. The agreement term is for two years, automatically renewable in two-year increments unless appropriate notice to terminate is given by either party. Under the agreement, IGT bills, collects and remits the proceeds to Telco net of reserves for bad debts, billing adjustments, telephone company fees and IGT fees. If either the Company's transaction volume decreases by 25% from the preceding month, less than 75% of the traffic is billable to major telephone companies, IGT may at its own discretion increase the reserves and holdbacks under this agreement.

The Company has also entered into a customer billing service agreement with Enhanced Services Billing, Inc. (ESBI) on February 1, 1999, which was renewed on December 3, 1999. ESBI provides billing and collection and related services associated to the telecommunications industry. The agreement term is for two years, automatically renewable in one-year increments unless appropriate notice to terminate is given by either party. Under the agreement, ESBI bills, collects and remits the proceeds to Telco net of reserves for bad debts, billing adjustments, telephone company fees and ESBI fees. If either the Company's transaction volume decreases by 25% from the preceding month, less than 75% of the traffic is billable to major telephone companies, ESBI may at its own discretion increase the reserves and holdbacks under this agreement.

The Company has also entered into a customer billing service agreement with Olympic Telecommunications, Inc. (OLY) on June 2, 1998, and as a customer Olympic provides billing and collection and related services associated to the telecommunications industry. The agreement term is for one year, automatically renewable in one-year increments unless appropriate notice to terminate is given by either party. Under the agreement, OLY bills, collects and remits the proceeds to Telco net of reserves for bad debts, billing adjustments, telephone company fees and OLY fees. If either the Company's transaction volume decreases by 25% from the preceding month, less than 75% of the traffic is billable to major telephone companies, OLY

may at its own discretion increase the reserves and holdbacks under this agreement. Both parties mutually terminated the agreement before September 30, 1999.

Pending Litigation:

A Women's Place  
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The Company in the course of pursuing the promotion of medical practices entered into an agreement to provide practice management services to the Flagstaff Arizona and Cottonwood Arizona offices of A Women's Place. The Company advanced operating expenses of A Women's' Place during the negotiations. No agreement was reached and A Women's' Place refused to return the interim funding. The Company is presently pursuing litigation for return of the advances in the amount of \$236,000. A Woman's Place has counter-claimed for unspecified damages for alleged breach of contract.

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Hudson Consulting Group et al  
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The Company under prior management and directors, in the course of pursuing equity financing, engaged the services of The Hudson Consulting Group. The Company later became aware of certain legal issues of The Hudson Consulting Group and some of its principals. The Company believes the shares were improperly issued for no valid consideration. Current management ordered a "stop transfer" on the shares. Upon the transfer agent refusing the transfer, The Hudson Consulting Group and its transferees threatened litigation. The transfer agent filed an interpleader action and tendered the shares to the court to determine ownership. The Company is seeking return of the outstanding 2,000,000 shares of the common stock. The other parties are seeking a determination to transfer the shares and for recovery of consequential damages.

13. NET LOSS PER SHARE

Net loss per share is calculated using the weighted average number of shares of common stock outstanding during the year. Preferred stock dividends are subtracted from the net income to determine the amount available to common shareholders. Preferred stock convertible to 1,700,000 common shares were not considered in the calculation for diluted earnings per share for the year ended September 30, 1999 because the effect of their inclusion would be antidilutive. There were no preferred stock dividends in the year ended September 30, 1999. The following presents the computation of basic and diluted loss per share from continuing operations:

	(Loss)	Shares	Per share
	-----	-----	-----
Net (Loss)	\$ (4,363,687)		
Preferred stock dividends	-		
Discontinued operations	1,892,704		
	-----		
Loss from continuing operations	(2,470,983)		
 BASIC EARNINGS PER SHARE			
Loss available to common stockholders	\$ (2,470,983)	22,223,757	\$ (0.11)
Effect of dilutive securities	N/A		
DILUTED EARNINGS PER SHARE	\$ (3,191,426)	22,223,757	\$ (0.11)

14. RELATED PARTY TRANSACTIONS

During the year ended September 30, 1999, the Company borrowed \$500,000 from one of its shareholders, who later became a member of the board of directors effective February 3, 2000. The Company repaid \$250,000 of the balance in cash and the board member converted the remaining \$250,000 plus \$100,000 in accrued interest to 400,000 shares of the Company's common stock. (Also see Note 4).

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15. CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at banks in Arizona. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At September 30, 1999, the Company had bank balances exceeding those insured limits of \$89,000.

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily trade accounts receivable. The trade accounts receivable are due primarily from business customers over widespread geographical locations within the LEC billing areas across the United States. The Company historically has experienced significant dilution and customer credits due to billing difficulties and uncollectible trade accounts receivable. The Company estimates and provides an allowance for uncollectible accounts receivable.

16. STOCK BASED COMPENSATION

The Company issues stock options to executives, key employees and members of the Board of Directors. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," and continues to account for stock based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, no compensation cost has been recognized for the stock options granted to employees. Had compensation cost for the Company's stock options been determined based on the fair value at the grant date for awards in 1999, consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share would have been increased to the pro forma amounts indicated below:

	1999
	----
Net Loss - as reported	\$( 4,363,687)
Net Loss - pro forma	\$( 5,392,675)
Loss per share - as reported	\$ (0.20)
Loss per share - pro forma	\$ (0.24)

Under the provisions of SFAS No. 123, there were 1,212,000 fully vested options and no proportionately vested options for the year ended September 30, 1999 used to determine net earnings and earnings per share under a pro forma basis.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions for years ended September 30, 1999:

Dividend yield	None
Volatility	1.771
Risk free interest rate	6.00%
Expected asset life	2.5 years

Under the Employee Incentive Stock Option Plan approved by the stockholders in 1998, the total number of shares of common stock that may be granted is 1,500,000. The plan provides that shares granted come from the Corporation's authorized but unissued common stock. The price of the options granted pursuant to this plan shall not be less than 100 percent of the fair market value of the shares on the date of grant. The options expire from five to ten years from date of grant. At September 30, 1999, the Company had granted an aggregate of 1,212,000 options under this plan.

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In addition to the Employee Incentive Stock Option Plan, the Company will occasionally grant options to consultants and members of the board of directors under specific stock option agreements. There were no such options granted in the year ended September 30, 1999.

During the year ended September 30, 1999, the Company granted 1,212,000 options to certain key employees. These options all were immediately vested. These options were granted at exercise prices of \$1.00 to \$2.50 the fair market value of the underlying shares on the date of grant. The options expire five years from date of grant. The summary of activity for the Company's stock options is presented below:

	1999	Weighted Average Exercise Price
	----	-----
Options outstanding at beginning of year	1,374,474	\$2.27
Granted	1,212,000	\$1.31
Exercised	( 105,000)	\$1.00
Terminated/Expired	( 1,374,474)	\$2.27
Options outstanding at end of year	1,107,000	\$1.34
Options exercisable at end of year	1,107,000	
Options available for grant at end of year	288,000	
Price per share of options outstanding	\$ 1.00-\$2.50	
Weighted average remaining contractual lives	4.3 years	
Weighted Average fair value of options granted during the year	\$ 0.85	

The Company has issued warrants in connection with certain debt and equity transactions. Warrants outstanding are summarized as follows:

		Weighted Average Exercise Price
		-----
Warrants outstanding at beginning of year	3,416,920	\$2.07
Granted	1,555,250	\$2.00
Expired	(3,417,170)	\$2.05
Exercised	(200,000)	
	-----	-----
Outstanding at September 30, 1999	1,355,000	\$2.00
	=====	=====

The 720,000 warrants outstanding at September 30, 1999, expire as follows:

June 3, 2000	20,000
June 7, 2000	200,000
July 23, 2000	635,000
September 9, 2000	150,000
October 22, 2000	250,000
March 23, 2001	100,000

#### 17. EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) profit sharing plan for its employees. Employees are eligible to participate in the plan upon reaching age 21 and completion of three months of service. The Company made no contributions to the plan for the year ended September 30, 1999.

#### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

In November, 1999, YP.Net dismissed Singer Lewak Greenbaum & Goldstein, LLP ("Singer Lewak") which had been its principal independent accountant for the audit of its 1998 and 1997 fiscal year financial statements. Except for a "going concern" qualification, Singer Lewak's reports on these financial statements contained no adverse opinion or disclaimer of opinion. Neither of these reports on the financial statements were qualified or modified as to uncertainty, audit scope, or accounting principles. The decision to replace Singer Lewak was recommended and approved by our board of directors. During the two past fiscal years and the subsequent interim periods, YP.Net had no disagreements with Singer Lewak regarding any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

On March 14, 1999, YP.Net reported that it replaced McGladry and Pullen LLP as its principal certified public accountants. McGladry and Pullen LLP had been engaged as the independent auditors, but had not issued any audited reports.

On March 30, 2000, YP.Net appointed King, Weber & Associates, P.C., as its independent auditors to conduct the audit of the September 30, 1999 fiscal year financial statements.

#### PART III

#### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

##### DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of YP.Net, their ages and positions are as follows:

NAME	AGE	POSITIONS HELD (1)
----	---	-----
Angelo Tullo	43	Director, Chairman of the Board
Walter Vogel	60	Director, Vice Chairman of the Board
Gregory B. Crane	36	Director, Director of Operations
Daniel L. Coury, Sr.	47	Director
Harold A. Roberts	71	Director
Wallace Olsen	59	Director
DeVal Johnson	35	Director, Secretary

(1) All current directors serve until the next annual shareholders meeting or their earlier resignation or removal and until their successors have been duly elected and qualified.

Angelo Tullo. Mr. Tullo has served as the Chairman of the Board of YP.Net since February 2000. From December, 1999 to present, Mr. Tullo has been the principal of Sunbelt Financial Solutions, Inc., an investment banking and consultant firm in Scottsdale, Arizona. For over twenty years, Mr. Tullo has been active as a business consultant. Mr. Tullo has actively worked with commercial financial factoring for the past ten years. He has owned and operated factoring companies, leasing companies, consulting companies, wholesale companies, professional employment organizations, insurance agencies, heating and air-conditioning contractors, retail oil companies, real estate companies and restaurants. He is a former member of the CEO Club in New York.

In February, 2000, American Business Funding Corp. filed for protection under Chapter 11 of the Bankruptcy Code in the Federal District Court of Arizona. Mr. Tullo had been a director, officer and shareholder of American Business Funding immediately prior to the time of the bankruptcy filing.

Walter Vogel. Mr. Vogel has been a director of YP.Net since February and was previously a member of its board from March to October, 1998. Mr. Vogel has been involved extensively in international business for many years. From 1996 to present, Mr. Vogel has been the owner and president of MC Management GmbH, a business-consulting firm in Ottenfing, Germany. Mr. Vogel has served as a director of several companies both in the United States and Europe.

Gregory B. Crane. Mr. Crane has been a director of YP.Net since February, 2000 and also has served as its Director of Operations since this time. From September 1998 to June, 1999, Mr. Crane was the General Manager of Telco Billing, Inc. Mr. Crane owned and operated several businesses including residential and commercial builders, multi-state mail order, and a document-preparation company, and was also the creator of the Yellow-Page.Net concept. Mr. Crane was a member of the Young Entrepreneur's Organization ("YEO").

Mr. Crane has owned and operated various businesses involved in the homestead declaration document preparation and filing service. In connection with these activities, Mr. Crane and certain of these businesses have been subject to injunctive actions brought by the states of Arizona, Florida, Texas and Washington. These actions generally involved mailer solicitations for the document preparation services and all of these activities occurred prior to the commencement of Telco Billing, Inc and are unrelated to Telco Billing, Inc. or YP.Net.. Mr. Crane and the subject entities have entered into consent orders related to these actions which primarily required modification to the mailers and the payment of certain amounts that are a matter of public record. The use of the mailer solicitation was prohibited in the State of Washington. In connection with violation of the Florida order, Mr. Crane is subject to a judgment in the amount of approximately \$1.4 million plus accrued interest. Mr. Crane has satisfied judgments related to orders in all other states.. Mr. Crane was also named in the action filed by the FTC against YP.Net and has been included in the stipulated preliminary order entered into by YP.Net and the FTC. See "Legal Proceedings".

Daniel L. Coury. Mr. Coury has served as a director of YP.Net since February, 2000. Mr. Coury's principal business is Mesa Cold Storage, Inc. which owns and operates several cold storage facilities located in Mesa, Arizona. He has also participated in the ownership and operation of various real estate projects and business ventures.

Harold Roberts. Mr. Roberts has served as a director of YP.Net since February, 2000 and previously served as a director of its predecessor from 1994 to 1998. Mr. Roberts has practiced law in Santa Fe, New Mexico since 1955 and since 1975 has engaged primarily in matters regulated by various regulatory agencies, including the Securities and Exchange Commission. He has served as a director and president of SunRay Oil Company, a company engaged in drilling, exploration and distribution, from 1996 to present, as a director and officer of Candu, Inc., a company engaged in electronic marketing, from 1985 to the present and as a director and president of Verilite Aircraft Corporation, a company engaged in air craft development, from 1994 to the present. Mr. Roberts is a graduate of the University of Colorado Law School.

Wallace Olsen, Jr. Mr. Olsen has been a director of YP.Net since February, 2000. Mr. Olsen has been active in several businesses in the transportation, hospitality, real estate and assisted living centers industries.

DeVal Johnson. Mr. Johnson has served as a director since October, 1999 and Secretary of YP.Net since February, 2000. Mr. Johnson was the graphics designer and director of Telco Billing from September, 1998 until July, 1999 when it was acquired. Mr. Johnson was responsible for the design of the in-house sales presentation and creation of the corporate logo for YP.Net. Prior to his role at Telco, Mr. Johnson was a graphics designer for Print Pro, Inc. Mr. Johnson is actively involved with Website promotion, interactive design and Internet advertising.

#### COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Based upon current management's knowledge, YP.Net has not been furnished with any reports under Section 16(a) of the Exchange Act filed by persons who would have been required to file such reports with respect to YP.Net's fiscal year ended September 30, 2000. YP.Net has also not received written representation from any person that no report under Form 5 would be required to be filed by such person. YP.Net is currently attempting to obtain information regarding the reports and to determine if delinquencies actually exist. Upon completing this review, it will advise any person it believes to be delinquent of such person's reporting obligations under the Exchange Act.

#### ITEM 10. EXECUTIVE COMPENSATION

The following table reflects all forms of compensation for the fiscal years ended September 30, 1999, 1998 and 1997 for the Chief Executive Officer and the other four most highly compensated executive officers of YP.Net for the years stated.

#### SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		
	FISCAL YEAR	SALARY	OTHER ANNUAL COMPENSATION
Tennessee Webb (1)	1999	\$130,000	-
Chief Executive Officer	1998	\$ 93,333	\$ 55,750
	1997	\$ 82,344	\$ 18,000

Michael McKay (2) Chief Technology Officer	1999	\$130,000	-
	1998	\$143,710	-
	1997	\$ 64,329	\$ 46,000
-----			
Peter DeKray (2) Vice President and Secretary	1999	\$130,000	-
	1998	\$162,825	-
	1997	\$ 61,224	-
-----			
William O'Neal (3) Senior Vice President	1999	\$130,000	-
	1998	\$130,000	-
	1997	-	-
-----			
Kevin Jones (3) Chief Operating Officer and President	1999	\$130,000	-
	1998	\$130,000	-
	1997	\$ 20,000	\$ 40,000
-----			

- (1) Mr. Webb resigned in March, 1999.  
(2) Messrs. McKay, DeKray and Jones resigned in September, 1999.  
(3) Mr. O'Neal resigned in February, 2000.

All options to acquire YP.Net stock granted to the above executive officers expired unexercised 90 days after their termination of employment with YP.Net.

#### DIRECTOR COMPENSATION

Upon appointment to the Board, Mr. Tullo was awarded 100,000 shares of YP.Net common stock and Mr. Vogel was awarded 75,000 shares. All other directors were awarded 50,000 shares. None of these shares have been issued to date. Additionally, the directors receive \$2,000 per month for their service on the Board and \$250 per hour for services related to any Board committee on which they serve.

#### EMPLOYMENT AGREEMENTS

Since February, 2000, Gregory B. Crane has served as the Director of Operations of YP.Net. His services are provided through Business Executive Services, Inc. which began to receive compensation in May of 2000 in the amount of \$13,000 per month for these services. These services provided "at will" and no written agreement exists.

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#### 1998 STOCK OPTION PLAN

YP.Net's Board of Directors adopted and its shareholders approved in June, 1998 the 1998 Stock Option Plan. The purpose of the Plan was to provide incentives to employees, directors and service providers to promote the success of YP.Net. The Plan provides for the grant of both qualified and non-qualified options to purchase up to 1,500,000 shares of its common stock at prices determined but, in the case of incentive options, at a price not less than the fair market value of the stock on the date of the grant. The Plan is administered by the Board of Directors or by a committee appointed by the Board. As of September 30, 1999, options to purchase 1,107,000 shares remain outstanding which are exercisable at prices of \$1.00 to \$2.50.

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#### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of June 30, 2000, the ownership of each person known by management to be the beneficial owner of five percent or more of YP.Net's common stock, each officer and director individually, and all officers and directors as a group. YP.Net has been advised that each person has sole voting and investment power over the shares listed below unless otherwise indicated.

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF OWNERSHIP	PERCENT OF CLASS(1)
-----		
Angelo Tullo (2) 4840 East Jasmine Street Suite 105 Mesa, AZ 85205	0	-
Walter Vogel (3) 4840 East Jasmine Street Suite 105 Mesa, AZ 85205	120,000	.32%
Gregory B. Crane (4) 4840 East Jasmine Street Suite 105 Mesa, AZ 85205	500	(5)
Daniel L. Coury, Sr. (4) 4840 East Jasmine Street Suite 105 Mesa, AZ 85205	130,000	.35%
Harold A. Roberts (4) 4840 East Jasmine Street Suite 105	208,000	.56%



Mesa, AZ 85205

Wallace Olsen, Jr. (4) 497,500 1.33%  
4840 East Jasmine Street  
Suite 105  
Mesa, AZ 85205

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NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF OWNERSHIP	PERCENT OF CLASS(1)
DeVal Johnson (4) 4840 East Jasmine Street Suite 105 Mesa, AZ 85205	75,000	.20%
Matthew & Markson Ltd. (6) Woods Centre, Frair's Road P.O. Box 1407 St. John's Antigua, West Indies	7,600,000	20.32%
Morris & Miller Ltd. Woods Centre, Frair's Road P.O. Box 1407 St. John's Antigua, West Indies	9,350,000	25.00%
All Directors as a Group (7 persons)	1,031,000	2.76%

(1) Based on 37,400,798 shares outstanding as of June 30, 2000. This amount excludes 4,500,000 shares issued and held as collateral for obligations of YP.Net under two promissory notes. Upon payment of the notes, the shares will be returned to YP.Net for cancellation.

(2) Mr. Tullo has been awarded 100,000 shares which have not been issued and are not included in this table.

(3) Mr. Vogel has been awarded 75,000 shares which have not been issued and are not included in this table.

(4) All directors except Mr. Tullo and Mr. Vogel, have been awarded 50,000 shares which have not been issued and are not included in this table.

(5) Less than 0.01%.

(6) The number of shares held by Matthew & Markson, Ltd. excludes 2,000,000 shares issued as collateral for a note payable issued by YP.Net. These shares will be returned to YP.Net and cancelled upon payment of the note.

#### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Note Conversion. YP.Net borrowed \$500,000 from Mr. Wallace Olsen, a shareholder who later became a member of the Board of Directors effective February 4, 2000. In September, 1999, YP.Net repaid \$250,000 of the balance in cash and Mr. Wallace Olsen converted the remaining \$250,000 plus \$100,000 in accrued interest to 400,000 shares of YP.Net's common stock.

Acquisition of Telco. In June, 1999, YP.Net's predecessor acquired all of the outstanding stock of Telco Billing, Inc. in exchange for 17,000,000 shares of its common stock. Matthew & Markson, Ltd. and Morrison & Miller, Ltd., as the shareholders of Telco, were issued 7,650,000 and 9,350,000 shares, respectively. The original agreement provided for certain put rights with respect to these shares that were terminated. In exchange for cancellation of

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the put rights, YP.Net agreed to provide the former Telco shareholders with a \$5,000,000 credit facility. The obligations under this facility are to be secured by a pledge of the former Telco shareholders' YP.Net stock. Interest for borrowings under this facility is to be at least 0.25% higher than YP.Net's average borrowing costs. No advances in excess of \$1,000,000 may be made at any one time and no advances in excess of \$1,000,000 are to be made unless YP.Net has available at least 30 days operating capital plus other reserves available. No advances are to be made if YP.Net is in default with respect to any of its lender obligations. The credit facility has not been formerly documented and no advances have been made or are expected until documentation is completed.

Gregory B. Crane and DeVal Johnson were employees of and primarily involved in the start-up of Telco. Mr. Crane, on behalf of the former Telco shareholders negotiated the acquisition of Telco by YP.Net's predecessor.

License of URL. In connection with the acquisition of Telco, YP.Net's predecessor also agreed to pay Matthew & Markson \$5,000,000 as a discounted accelerated royalty payment for a 20-year license of the URL Yellow-Page.Net.

The accelerated payment was made under the terms of an Exclusive Licensing Agreement dated September 21, 1998 between Telco and Matthew & Markson. The payment was originally to be paid in full on the acquisition of Telco. To extend the payment obligations, YP.Net advanced a \$1,000,000 extension fee and agreed to provide \$250,000 of tenant improvements to approximately one-half of its Mesa facility to Matthew & Markson's designee for \$1.00 per year throughout the term of the lease. The \$1,000,000 extension fee was applied to the \$5,000,000 accelerated royalty and an additional \$2,000,000 was paid in July, 1999. Matthew & Markson also agreed to take a \$2,000,000 note for the balance due.

YP.Net defaulted on payment of the \$2,000,000 note on September 15, 1999 and also defaulted on extensions of the note on January 15, 2000. On April 20, 2000, the note was renegotiated to a demand note with monthly installments of \$100,000 per month. The payments may be suspended if YP.Net does not have certain cash reserves or is otherwise in default under other obligations. The note is secured by 2,000,000 shares of YP.Net common stock held in escrow. The shares are to be returned for cancellation upon payment of the note. As consideration for the September 15, 1999 extension, YP.Net paid Matthew & Markson an extension fee of \$200,000.

The sub-lessee of the nominal rent sub-lease was Business Executive Services, Inc. ("BESI"). BESI leases portions of the facility to unrelated third parties as well as businesses associated with Mr. Crane and Mr. Tullo. Mr. Crane is employed by BESI and receives a salary of approximately \$2,000 per month from BESI and bonuses in an undetermined amount.

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Related Party Transaction Policy. Our general policy for entering into transactions with directors, officers and affiliates that have a financial interest in the transaction is to adhere to Nevada corporate law regarding the approval of such transactions. In general, a transaction between a Nevada corporation and a director, officer or affiliate of the corporation in which such person has a financial interest is not void or voidable if the interest is disclosed and approved by disinterested directors or shareholders or if the transaction is otherwise fair to the corporation.

ITEM 13. EXHIBITS AND REPORTS N FORM 8-K

EXHIBITS

- 3.1(1) Certificate of Restated Articles of Incorporation of Renaissance International, Inc.
- 3.2 Amended Articles - Name Change to RIGL Corporation &, authorized Capital Increased.
- 3.3 Amended Articles - Name Change to YP.Net
- 3.5(1) Bylaws of Renaissance International Group, Ltd.
- 3.6 Addendum to Bylaws to add office of Vice Chairman
- 10.1(2) 1998 Stock Option Plan
- 10.2 Reseller Agreement with Worldpages.com
- 10.3 Billing Service Agreement with Integretel
- 10.4 Enhanced Services Billing and Information Management Services Agreement with Enhanced Services Billing, Inc.
- 10.5 Standard Industrial Commercial Multi-Tenant Lease Gross regarding Mesa Facility and amendment
- 10.6 Sub-Lease Agreement to Business Executive Services, Inc.
- 10.7 VanSickle Loan Agreement, Stock Pledge Agreement, and Modifications
- 10.8(3) First Amendment to Loan Agreement between YP.Net, Inc. and Joseph and Helen VanSickle dated March 31, 2000
- 10.9(4) Stock Purchase Agreement between RIGL Corporation, Telco Billing, Inc. and Matthew & Markson, Ltd. dated March 16, 1999
- 10.10(4) Amendment to Stock Purchase Agreement between RIGL Corporation, Telco Billing, Inc., Morris & Miller, Ltd.
- 10.11(4) Exclusive License Agreement between Matthews & Markson, Ltd. and Telco Billing, Inc. dated September 21, 1998
- 10.12 Modification to Matthew & Markson Promissory Note.
- 11 Statement Regarding Computation of Per Share Earnings.
- 16.1(5) Letter of Singer Lewak Greenbaum & Goldstein LLP dated November 24, 1999
- 16.2(6) Letter of McGladrey & Pullen LLP dated March 23, 2000; Letter of McGladrey & Pullen, LLP dated February 4, 2000
- 21 Subsidiaries: Telco Billing, Inc.
- 27 Financial Data Schedule

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- 1 Incorporated by reference from Form 10-SB as filed May 6, 1998.
- 2 Incorporated by reference from Form S-8 as filed July 10, 1998.
- 3 Incorporated by reference from Form 8-K as filed on May 22, 2000.
- 4 Incorporated by reference from Form 8-K/A as filed on June 30, 1999.
- 5 Incorporated by reference from Form 8-K as filed on December 3, 1999.
- 6 Incorporated by reference from Form 8-K as filed on March 29, 2000 and Form

REPORTS ON FORM 8-K

Three reports on Form 8-K were filed in the fiscal quarter ended September 30, 1999. These reports are as follows:

Form 8-K filed on June 7, 1999 disclosing under Item 6 of such report the resignation of Tennessee Webb as the Chairman of the Board of Directors and Eugene Starr as a director.

Form 8-K filed on June 30, 1999 disclosing under Item 2 of such report the acquisition of Telco Billing, Inc. and Exclusive License Agreement for the Yellow-Page.Net URL. Financial statements of Telco Billing, Inc. as of February 28, 1999 were attached as an exhibit.

Form 8-K filed September 16, 1999 disclosing under Item 2 of such report the obtaining of a \$3,000,000 credit facility from Fremont Financial Corporation by Telco in accordance with the terms of the agreement of acquisition of Telco under Item 2 of such report.

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In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YP.NET, INC.

Dated: \_\_\_\_\_, 2000 By /s/ Angelo Tullo  
-----  
Angelo Tullo, Chairman of the Board

BOARD OF DIRECTORS

Dated: \_\_\_\_\_, 2000 By /s/ Angelo Tullo  
-----  
Angelo Tullo

Dated: \_\_\_\_\_, 2000 By  
-----  
Walter Vogel

Dated: \_\_\_\_\_, 2000 By /s/ Gregory B. Crane  
-----  
Gregory B. Crane

Dated: \_\_\_\_\_, 2000 By /s/ Daniel L. Coury, Sr.  
-----  
Daniel L. Coury, Sr.

Dated: \_\_\_\_\_, 2000 By  
-----  
Harold A. Roberts

Dated: \_\_\_\_\_, 2000 By  
-----  
Wallace Olsen

Dated: \_\_\_\_\_, 2000 By /s/ DeVal Johnson  
-----  
DeVal Johnson

FILED  
IN THE OFFICE OF THE  
SECRETARY OF STATE OF THE  
STATE OF NEVADA

JUN 25 1996

No. C6242-94  
-----

DEAN HELLER, SECRETARY OF STATE CERTIFICATE of AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION OF  
RENAISSANCE INTERNATIONAL GROUP, LTD.

Pursuant to the provisions of the Nevada Revised Statutes, Title 7, Chapter 78, the undersigned officers do hereby certify:

FIRST The name of the corporation is Renaissance International Group, Ltd.

SECOND The following sets forth the amendment to the following article:

1. Name: The name of the corporation is  
----

RIGL Corporation (the "Corporation").

THIRD: The amendment was adopted and approved by the board of directors and shareholders on June 22, 1998. The number of shares outstanding at the time of such adoption was 12,952,134 and the number of shares entitled to vote thereon was 12,272,842. The number of shares voted for the amendment were 6,106,993. The number of votes for the amendment were sufficient for approval.

FOURTH: Increase Authorized Capital.

FIFTH: The following sets forth the amendment to the following ARTICLE:

3. Authorized Capital. The Corporation shall have the  
-----  
authority to issue 50,000,000 shares of Common Stock, par value \$.001 per share and each share having one vote.

SIXTH: The amendment was adopted and approved by the board of directors and shareholders on June 22, 1998. The number of shares outstanding at the time of such adoption was 12,952,134 and the number of shares entitled to vote thereon was 12,272,842. The number of shares voted for the amendment were 6,088,993. The number of votes for the amendment were sufficient for approval.

DATED June 23, 1998 Renaissance International Group, Ltd.  
(t/b/a RIGL Corporation)

By: William D. O'Neal  
-----

WILLIAM d. o'Neal, Vice President

By: Peter de Krey  
-----

Peter de Krey, Secretary

STATE OF ARIZONA )  
 ) ss  
COUNTY OF MARICOPA )

On June 23 1998, personally appeared before me, a Notary Public for the State and County aforesaid WILLIAM D. O' NEAL. as Vice President of Renaissance International Group, Ltd, who acknowledged that he executed the above instrument.

Official Seal  
DIANE N. LEONARD  
Notary Public - State of Arizona  
MARICOPA COUNTY  
My Comm. Expires May 15, 2002

Diane N. Leonard  
-----  
Notary Public

(Notary Seal)

STATE OF ARIZONA        )  
                              ) ss  
COUNTY OF MARICOPA    )

On June 23 1998, personally appeared before me, a Notary Public for the State and County aforesaid PETER DE KREY. as Secretary of Renaissance International Group, Ltd, who acknowledged that he executed the above instrument.

Official Seal  
DIANE N. LEONARD  
Notary Public - State of Arizona  
MARICOPA COUNTY  
My Comm. Expires May 15, 2002

Diane N. Leonard  
-----  
Notary Public

(Notary Seal)

STATE OF NEVADA  
Secretary of State  
I hereby certify that this is a true and complete copy of the document as filed in this office.

JUN 26 '98

DEAN HELLER  
Secretary of State  
By D. Farmer

WRITTEN CONSENT  
OF THE SHAREHOLDERS OF  
RIGL CORPORATION

Pursuant to the authority of Section 71.320, paragraph, 2 of the Nevada Revised Statutes, the undersigned individuals, collectively constitute a majority of the issued and outstanding shares entitled to vote of RIGL Corporation, a Nevada corporation (the "Corporation"), do hereby take the following action and approve the adoption of the following resolutions by their written consent as of this 12 day of August, 1999.

RESOLVED, that the Articles of Incorporation of the Corporation are hereby amended, effective October 1, 1999, to reflect a change in the name of the Corporation from "RIGL Corporation" to "YP.Net, Inc."

FURTHER RESOLVED, that management of the Corporation is hereby authorized and empowered to take any and all necessary actions to effect such name change, including but not limited to, filing any and all documents and instruments required to be filed with all applicable state and federal regulatory agencies and authorities.

Dated: August 12, 1999

SHAREHOLDERS:  
MORRIS & MILLER LTD.

-----  
BY: PAT DIEDRICK  
ANTIGUA MANAGEMENT & TRUST LTD.  
ITS: DIRECTOR

MATTHEW & MARKSON, LTD.  
-----

-----  
BY: USE COOPER  
Antigua Management & Trust Ltd.  
ITS: DIRECTOR

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Dated: August 12, 1999

SHAREHOLDERS:

/s/ Kevin L. Jones  
-----

[Signature]

Kevin L.Jones

-----  
[Print Name]

WRITTEN CONSENT  
OF THE SHAREHOLDERS OF  
RIGL CORPORATION

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Dated: August 12, 1999

SHAREHOLDERS:

/s/ James. Jones

-----  
[Signature]

James Jones

-----  
[Print Name]

WRITTEN CONSENT  
OF THE SHAREHOLDERS OF  
RIGL CORPORATION

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Dated: August 12, 1999

SHAREHOLDERS:

/s/ Michael Mackay

-----

[Signature]

Michael MacKay

-----  
[Print Name]

WRITTEN CONSENT  
OF THE SHAREHOLDERS OF  
RIGL CORPORATION

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Dated: August 12, 1999

SHAREHOLDERS:

/s/ Peter DeKrey

-----  
[Signature]

Peter DeKrey

-----  
[Print Name]

WRITTEN CONSENT  
OF THE SHAREHOLDERS OF  
RIGL CORPORATION

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Dated: August 12, 1999

SHAREHOLDERS:

/s/ William O'Neal

-----  
[Signature]



William O'Neal

-----  
[Print Name]

STATE OF NEVADA  
SECRETARY OF STATE  
I HEREBY CERTIFY THAT THIS IS  
A TRUE AND COMPLETE COPY OF  
THE DOCUMENT AS FILED IN THIS  
OFFICE.

SEP 16'99

DEAN HELL R  
SECRETARY OF STATE  
BY \_\_\_\_\_

ADDENDUM TO BYLAWS OF  
RIGL CORPORATION  
NOW KNOWN AS YP.NET, INC.  
A NEVADA CORPORATION  
(As Adopted effective June 22, 1998)

ADDENDUM TO ARTICLE IV  
(As Adopted effective February 4, 2000)  
OFFICERS

4.4. Vice-Chairman of the Board of Directors. The Board of directors  
-----  
will elect a Vice Chairman to serve as a non-executive Officer of the  
Corporation. The Vice Chairman will in the absence of the Chairman preside at  
all meetings of the Board of Directors and he vested with such other powers and  
duties as the Board may from time to time delegate to him.

CERTIFICATE OF ADOPTION  
-----

The undersigned Secretary of the Corporation, hereby testifies the foregoing  
Bylaws were adopted by the Board of Directors of YP.Net, Inc. a Nevada  
corporation, pursuant to a written consent and resolution of the Board of  
Directors, Dated February 4, 2000.

/s/ Del Val Johnson Corporate: Secretary  
-----  
Del Val Johnson Corporate: Secretary

WORLD PAGES  
FIND ANYTHING. ANYONE. ANYWHERE.

HTTP://WWW.WORLDPAGES.COM

RIGL CORPORATION, RESELLER AGREEMENT

Web YP, Inc., a Texas corporation, (World Pages) publishes a comprehensive electronic directory service on the world wide web that provides access to the names, addresses phone numbers and other information about individuals and businesses in the United States and other parts of the world.

RIGL Corporation, via the URL's. Yellow-Page.Net & YP.net1 is engaged in the business of specialized Internet advertising through its own sales force and has to established in conjunction with World Pages, a co-branded Internet directory for distribution to RIGL Corporations' customers as hereinafter provided. The RIGL Corporation relationship with World Pages is that of an independent contractor.

The term of this agreement is 1 year. At each anniversary of the date of execution, the term will be automatically extended by one additional year, unless World Pages gives RIGL Corporation written notice of cancellation 60 days prior to any anniversary date. RIGL Corporation may cancel this agreement at any time by giving written notice to Web YP, inc. (World Pages) at least 60 days in advance of the date selected for this agreement to expire.

Effective August 15,1999 and forward for the 12-month length of this agreement, RIGL Corporation, agrees to pay an annual fee of \$24,000.00 for the hosting of its' complete volume of mini-sites on the RIGL Corporation, Yellow-Page.Net & YP.net co-branded sites. Payments are due at \$2000.00 per month, with the first payment due September 15,1999. Subsequent payments are due on the 15th of each month in which this agreement is in force, net 10 days. Late payments will be charged at 1112 % interest. (No interest is due for the month of September, since World Pages has billed RIGL Corporation, Yellow-Page.Net late.)

RIGL CORPORATION, YELLOW-PAGE.NET MAY NOT USE WORLDPAGES' TRADEMARKS, TRADENAMES OR OTHER SYMBOLS WITHOUT PRIOR AND WRITTEN APPROVAL OF WORLDPAGES AND AGREES NOT TO REGISTER ANY TRADEMARKS, TRADENAMES OR SYMBOLS OF WORLDPAGES (OR WHICH ARE CONFUSINGLY SIMILAR TO THOSE OF WORLD PAGES.) IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER BASED ON BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, WHETHER OR NOT THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE. THE LIABILITY OF WORLDPAGES FOR DAMAGES OR ALLEGED DAMAGES

1

WEB YP, INC~, 291 GEARY ST., SUITE 310, SAN FRANCISCO, CA. 94102 PH 415~782~6800  
FAX 415~782~6801

HEREUNDER(1) WHETHER IN CONTRACT(1) TORT OR ANY OTHER LEGAL THEORY IS LIMITED TO) AND WILL NOT EXCEED) THE AMOUNTS ACTUALLY PAID BY CONTENT PROVIDER TO WORLPAGES HEREUNDER.

YP.NET, INC

-----  
4840 EAST JASMINE STREET SUITE 105  
MESA(1) AZ 85205  
TELEPHONE: 480 654-9646  
FAX: 480 654-9727

SIGNATURE WILLIAM O'NEAL DATE 11/8/99  
-----

TITLE PRESIDENT

WORLD PAGES /WEB YP INC.  
291 GEARY STREET) SUITE 310  
SAN FRANCISCO(1) CA 94102  
TELEPHONE. 415 2~7B~6~00  
FAX: 415 782-6861/

SIGNATURE FREDERICK KLEIN DATE: 11/1/99  
-----

FREDERICK KLEIN PRESIDENT

AMENDMENT NUMBER FOUR  
TO THE BILLING SERVICES AGREEMENT  
BETWEEN  
INTEGRETEL, INCORPORATED AND  
TELCO BILLING, INC.  
DATED JANUARY 6, 1998

Effective 5/1 , 2000, the above referenced Agreement is hereby amended as follows:

1. Account Number 258 is added to the Agreement. The attached Exhibit "E" and "J" shall apply to account 258 only.
2. All other terms and conditions of the Agreement remain in full force and effect.

ACKNOWLEDGED AND AGREED

Integretel, Incorporated

Telco Billing, Inc.

By: /s/ Joe Lynam

By: /s/ Angelo Tulb

Name: Joe Lynam

Name: Angelo Tulb

Title: CEO

Title: Chairman

Date: 5/1/00

Date: 4/26/00

Amendment to Telco Billing, Inc.

Page 1

EXHIBIT "E"  
Price Schedule

Billing Services Agreement

Page 1 of 2

Account #258

Service Fee: IGT shall receive the following fees for Basic Services and Subscriber Inquiry Services.

1. Telco Outclearing (425001 Billing Transactions)

Gross Billable Dollars Per Month	Percent of Billing Dollars
ALL VOLUMES	6.50% Plus Telco Fees

Each month, IGT shall receive a Telco Clearing fee equal to the greater of the billable dollars multiplied by the above billing percentage or the Billable Transactions deposited times a \$0.81 minimum transaction fee, but in no event shall the Telco Outclearing fee be less than the Telco Outclearing Minimum Fee.

2. Telco Outclearing Minimum Fee: \$5,000.00 per month for Client ID #258.

During the remaining Term of this Agreement, if Customer's aggregate Telco Outclearing Minimum Fee paid to IGT exceeds sixty thousand dollars (\$60,000) on Customer's Account #258, then Customer shall not be liable to IGT for Telco Outclearing Minimum Fees on said Account for the remainder of the Term. For purposes of illustration only, if Customer has paid IGT sixty thousand dollars (\$60,000) in Telco Outclearing fees on its Account #258 through the first nine (9) months of the remaining Term, and in the tenth month incurs three thousand dollars (\$3,000) in Telco Outclearing Fees on said Account, then Customer shall not be obligated to remit to IGT the two thousand dollar (\$2,000) difference between the Telco Outclearing Minimum Fee and the Telco Outclearing fee. The Telco Outclearing Minimum Fee

limitation provided in this paragraph shall not be applicable to any additional Account(s) ordered by Customer.

Customer's Telco Outclearing Minimum Fee shall be in effect for the September, 2000 deposit month.

- 3. Subscriber Inquiry Services Fees: \$3.50 per each live agent inquiry.  
-----

If the Customer, subject to terms in this Agreement, and upon IGT written approval, provides its own End-User inquiry service in lieu of IGT provided Subscriber Inquiry Services, IGT shall i) refer End-User phone inquiry to Customer for \$1.00 per automated (no agent) referred inquiry, ii) refer End-User phone inquiry to Customer for \$2.00 per live agent referred inquiry and iii) process Customer generated adjustments (41 records) for fifty cents (\$0.50) per adjustment. Customer shall be responsible for generation of adjustment vouchers in Telcos that do not accept 41 records.

Customer must adhere to the following call handling guidelines: Customer must provide toll-free access to its call center. IGT will route calls to this toll-free number. Customer must complete the Referral Inquiry Worksheet. Hours of operation must be 8-5 for all time zones where its customers reside. Calls cannot be muted to voicemail; a live agent must answer the call. Calls should ---- have an average speed of answer of <= 45 seconds. Call abandon rate <= 5%. IGT monitors the performance of its Referral Inquiry Customers. IGT will notify Customer through any metric that is not being met as a result of the monitoring.

IGT, in its sole discretion, may resume providing inquiry upon prior written notice and at the prices contained herein.

Amendment to Telco Billing, Inc.  
Page 2

EXHIBIT "E"  
Price Schedule  
-----  
Billing Services Agreement  
-----  
Page 2 of 2

- 4. Initial Account Activation: \$1,500.00 for Account 258 sub-cic due upon receipt of invoice.  
-----
- 5. Telco Fees: IGT shall be entitled to an additional fee to recover all Telco imposed processing and other charges associated with Customer's Billing Transactions. The Telco processing fees are set forth on Exhibit J  
-----
- 6. Telco Holdback: 5% Per Deposit Month.  
-----
- 7. IGT Reserve: 5% Per Deposit Month.  
-----

Amendment to Telco Billing, Inc.  
Page 3

<TABLE>  
<CAPTION>

CONFIDENTIAL

EXHIBIT "J"  
Telco Fees  
-----  
Page 1 of 1

As of January 2000

		< ----- Toll ----- >						
Telco Group	SID	Telco Name	Bill Render	Interstate Per Msg.	Intrastate Per Msg.	Bulk 4250 Per Msg.	SSM 010118 Per Msg.	Pay/Call 010116 Per Msg.

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ameritech	9321	Ohio Bell	0.400	0.050	0.050	0.100	0.100	0.100	0.100
	9323	Michigan Bell	0.400	0.050	0.050	0.100	0.100	0.100	0.100
	9325	Indiana Bell	0.400	0.050	0.050	0.100	0.100	0.100	0.100
	9327	Wisconsin Bell	0.400	0.050	0.050	0.100	0.100	0.100	0.100
	9329	Illinois Bell	0.400	0.050	0.050	0.100	0.100	0.100	0.100
Bell Atlantic	9206	New Jersey Tel	0.330	0.024	0.024	0.250	0.027	0.024	0.024
	9208	Bell Penn.	0.330	0.024	0.024	0.250	0.027	0.024	0.024
	9210	Diamond State	0.330	0.024	0.024	0.250	0.027	0.024	0.024
	9211	C&P DC	0.330	0.024	0.024	0.250	0.027	0.024	0.024
	9212	C&F' MD	0.330	0.024	0.024	0.250	0.027	0.024	0.024
	9213	C&P VA	0.330	0.024	0.024	0.250	0.027	0.024	0.024
	9214	C&P WVA	0.330	0.024	0.024	0.250	0.027	0.024	0.024
Bell South	9417	Bell South	0.505	0.055	0.061	2.50%	0.060	2.50%	2.50%
GTE Companies	169	GTE North	0.390	0.055	0.076	0.135	0.135	0.073	0.073
	328	GTE Florida	0.390	0.055	0.076	0.135	0.135	0.073	0.073
	479	GTE South	0.390	0.055	0.076	0.135	0.135	0.073	0.073
	2080	GTE South West	0.390	0.055	0.076	0.135	0.135	0.073	0.073
	2319	GTE California	0.390	0.055	0.076	0.135	0.135	0.073	0.073
	2320	GTE West	0.390	0.055	0.076	0.135	0.135	0.073	0.073
	2416	GTE North West	0.390	0.055	0.076	0.135	0.135	0.073	0.073
	3100	GTE Hawaii	0.390	0.055	0.076	0.135	0.135	0.073	0.073
GTE Contel	170	GTE North Contel	0.390	0.045	0.076	0.135	0.163	0.073	0.073
	480	GTE South Contel	0.390	0.045	0.076	0.135	0.163	0.073	0.073
	2081	GTE S-W Contel	0.390	0.045	0.076	0.135	0.163	0.073	0.073
Citizens Tel	2308	Citizens Tel	0.820	0.080	0.080	0.080	0.080	0.080	0.080
NYNEX	9102	New England Tel	0.010	0.300	0.300	0.550	0.300	0.300	0.300
(Less 4 MSG/Bill)	9104	New York Tel	0.010	0.300	0.300	0.550	0.300	0.300	0.300
NYNEX	9102	New England Tel	0.960	0.010	0.010	0.260	0.010	0.010	0.010
(Greater 4 MSG/Bill)	9104	New York Tel	0.960	0.010	0.010	0.260	0.010	0.010	0.010
Pacific Bell	9740	Pacific Bell	0.350	0.030	0.030	0.030	0.030	0.280	0.280
Nevada Bell	9742	Nevada Bell	0.450	0.035	0.091	0.030	0.090	0.280	0.280
Southwestern Bell	9533	S-West Bell	0.350	0.031	0.031	0.280	0.250	0.550	0.550
U.S. West	9631	North West Bell	0.420	0.025	0.025	0.325	0.325	0.025	0.025
	9636	Mountain Bell	0.420	0.025	0.025	0.325	0.325	0.025	0.025
	9638	PAC N-W Bell	0.420	0.025	0.025	0.325	0.325	0.025	0.025
Alltel	9995	Alltel	0.880	0.080	0.100	0.100	0.100	0.135	0.135
Cincinnati Bell	9348	Cincinnati Bell	0.650	0.022	0.022	0.052	0.022	0.022	0.022
Illuminet	9999	Illuminet	0.000	0.800	0.800	0.800	0.800	0.800	0.800
NECA	9996	NECA	0.000	0.550	0.550	0.550	0.550	0.550	0.550
SNET	9147	SNET	0.510	0.110	0.110	0.110	0.110	0.110	0.110
Sprint United	341	United Florida	0.390	0.190	0.090	0.190	0.190	0.190	0.190
	470	Carolina Tel & Tel	0.390	0.190	0.090	0.190	0.190	0.190	0.190
	832	United Indiana	0.390	0.190	0.090	0.190	0.190	0.190	0.190
	9323	United Midwest	0.390	0.190	0.090	0.190	0.190	0.190	0.190
Telcom Canada	8050	Telcom Canada	0.000	0.560	0.560	0.560	0.560	0.560	0.560

The above information is current at the time of printing and is to be used for informative purposes only. The information contained in this exhibit is subject to change without notice. IGT makes no guarantee that this information is constant, permanent, all inclusive and/or final.

Amendment to Telco Billing, Inc.  
Page 4

AMENDMENT NUMBER THREE  
TO  
BILLING SERVICES AGREEMENT  
BETWEEN  
TELCO BILLING, INC.  
AND  
INTEGRETEL, INCORPORATED  
DATED JANUARY 6, 1998

Effective September 1, 1999, the above referenced Agreement is hereby amended as follows:

1. The Agreement terminated one year from the initial term of January 6, 1998. However, both parties continued to operate under the terms and conditions of the Agreement and hereby acknowledge and agree that the terms and conditions of the Agreement apply to all billing and collection services performed through the date of this amendment number 3.

2. Section 3. Term is deleted and replaced with the following:

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"The term of this Agreement shall be for two years commencing on September 1, 1999 ("TERM") and shall automatically renew for one successive period of two (2) years unless terminated by written notice from either party at least ninety (90) days prior to scheduled termination.

3. This Agreement is limited to Customer Account Number 227 which has a \$5,000 monthly minimum. The parties will negotiate new pricing exhibits for additional Customer accounts and programs, which may be activated under the Agreement in the future.

4. All other terms and conditions of the Agreement remain in full force and effect.

ACKNOWLEDGED AND AGREED

Telco Billing, Inc.

Integretel, Incorporated

By: /s/ Kevin L. Jones

By: /s/ Kevin Dawson

Name: Kevin L. Jones

Name: Kevin Dawson

Title: Secretary

Title: President

Date: 8/31/99

Date: 9/2/99

#### BILLING SERVICES AGREEMENT

THIS BILLING SERVICES AGREEMENT (the "Agreement") is entered into as of January 6, 1998 ("Effective Date"), by and between INTEGRETEL, INCORPORATED a California corporation ("IGT"), and PUBLICATION MANAGEMENT, a Washington D.C. Trust ("Customer").

#### RECITALS

WHEREAS, Customer is a provider of information, operator and other telecommunications services ("Services") via the telephone to users of such services; and

WHEREAS, IGT is engaged in the business of providing telephone company billing and collection and associated services to the telecommunications industry; and

WHEREAS, IGT is willing to provide its services to Customer, and Customer desires to obtain such services from IGT, upon the terms and conditions stated herein;

NOW, THEREFORE, the parties hereto, in consideration of mutual covenants and agreements contained herein, do hereby agree as follows:

#### TERMS AND CONDITIONS

##### 1. DEFINITIONS.

-----

The following terms shall have the meanings set forth below:

(a) "Account Number" also referred to herein as Account or

Client-ID, shall mean a separate account of Customer under which Billing Transactions and settlement funds are tracked and reported.

(b) "Adjustments" shall mean adjustments made to an End-User's

bill for Customer's or Customer's IP's Services and is synonymous with the term Recourse.

(c) "Basic Services" shall mean, generally: (i) the submission of

Customer's Billing Transactions to the Telcos; (ii) the collection of funds from the Telcos with respect to Customer's Billing Transactions; (iii) the remittance to Customer of funds to it is entitled; (iv) the provision of bill inquiry service to End-Users in response to direct contact from End-Users or through Telco referral; and (v) handling of written disputes from End-Users either directly or by referral to Customer, including but not limited to, disputes directed through regulatory agencies, as more specifically described herein.

(d) "Billing Contract(s)" shall mean those billing and collection

agreements into between IGT and certain telephone companies and/or certain third



parties who contract directly with such telephone companies as identified in Exhibit A.

BILLING SERVICES AGREEMENT  
PUBLICATION MANAGEMENT  
Page 1

(e) "Billing Transaction(s)" shall mean the use by End-Users of  
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Customer' or Customer's IP's Services which give rise to billable transactions submitted by customer to IGT for billing and collection.

(f) "Billing Transaction Data" shall mean the data summarizing or  
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evidencing Customer's or Customer's IP's Billing Transactions.

(g) "End-User(s)" shall mean the users of IP's Services.  
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(h) "IP's" shall mean information providers who offer information  
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and/or Entertainment services to End-Users. IP's generally receive services from IGT's customers.

(i) "Major Telcos" shall mean U.S. West, Pacific Telesis,  
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Ameritech, Bell Atlantic, Nynex, Bell South, Southwestern Bell, GTE or any others as designated by IGT.

(j) "Recourse" shall mean a post-billing adjustment where an  
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End-User challenges charges. It generally occurs within sixty (60) days of a deposit cycle but may be delayed. Recourse is authorized by the Telcos as provided in the Billing contracts or by IGT in accordance with this Agreement.

(k) "Reserves" shall mean collectively the Telco Holdback, Telco  
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Reserve and IGT Reserves.

(l) "Subscriber Inquiry Services" shall mean the bill inquiry  
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services which IGT provides to End-Users in response to direct contact from End-Users or through Telco referrals, performed in accordance with the Subscriber Inquiry Guidelines attached hereto as Exhibit G.

(m) "Taxes," shall mean all federal, state or local sales, use,  
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excise, gross receipts or other taxes imposed on or with respect to Customer's Billing Transactions.

(n) "Telco(s)" shall mean those telephone companies listed on  
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Exhibit A hereto, as may be amended by IGT from time to time, with which IGT has Entered into Billing Contracts either directly or indirectly through third parties who contract directly with such telephone companies.

(o) "Telco Holdback" shall mean the amount of offset against  
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Customer's Billing Transactions to cover Customer's reasonable share of the Telco Reserve.

(p) "Telco Holdback Rate" shall mean the percentage rate of  
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Customer's Transactions required for the Telco Holdback amount.

(q) "Telco Reserve" shall mean an amount withheld by the Telco,  
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in anticipation of Uncollectibles, based on IGT's aggregate customer mix.

(r) "Telco Reserve Rate" shall mean the percentage of gross  
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billings by the Telco and is determined by the Telco based on the results of Telco True-ups and their internal calculation methodologies.

(s) "Telco True-up" shall mean the process by which a Telco, from  
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time to time: (i) determines whether amounts held back as Telco Reserve for Uncollectible Billing Transactions were in excess or less than the amount of the Telco's actual Uncollectibles for a particular period, and (ii) collects from or refunds to IGT, as the case may be, any difference between the Telco Reserves and the Uncollectibles.

(t) "True-up" shall mean the process by which IGT reconciles the  
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Telco Holdback held from Customer's funds and the Uncollectibles as it fairly relates to Customer's Billing Transactions. Such True-up shall be conducted in accordance with IGT's internal methodology and shall be based on the time periods and data supplied to IGT through the Telco True-up process.

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(u) "Unbillables" shall mean Billing Transactions designated by a  
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Telco as not billable based on their own internal editing process.

(v) "Uncollectibles" shall mean amounts designated by a Telco as  
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not collectable based on their internal editing process.

(w) "IGT Reserve" shall mean an amount withheld from the money  
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otherwise owed Customer for Billing Transactions to cover Adjustments, Telco Unbillables, Uncollectibles and other sums charged by the Telco to IGT for Customer funds advanced to IGT but not collected by the Telcos.

2. IGT SERVICES. IGT, as a limited agent for Customer, agrees to provide the  
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Basic Services to Customer in accordance with the terms and conditions contained herein.

3. TERM. The term of this Agreement shall be for one (1) year from the  
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Effective Date ("Term"). This Agreement shall not automatically renew unless both parties agree to an extension of the Agreement in a signed writing.

4. CUSTOMER ACCOUNTS. IGT shall review and, if appropriate, approve each  
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Service for which IGT shall provide Basic Services hereunder, as well as for any changes in preamble scripts, pricing, advertising or program content relating to any of such Services. All Services, or changes thereto, shall be registered on the form attached hereto as Exhibit B. Customer shall provide IGT with information regarding Customer's Services, which shall include, without limitation, preamble scripts, pricing, copies of advertising, and program content upon IGT request.

5. CUSTOMER SUBMISSION OF BILLING TRANSACTIONS TO IGT.  
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(a) After receiving approval as described in Section 4, Customer shall submit to IGT its Billing Transaction Data in the format set forth on Exhibit C or other mutually agreed upon format. Customer shall submit such information in a timely manner consistent with the schedule set forth in Exhibit D hereto.

(b) IGT reserves the right to refuse to accept any or all of Customer's Billing Transactions that are not formatted as set forth above or are not submitted in a timely manner consistent with Exhibit D.

6. IGT EDIT.  
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(a) Upon IGT's receipt of Customer's Billing Transaction Data as set forth above, IGT shall subject such information to its proprietary edit process. This edit process shall screen the call information for, among other things, compliance with Telco policies, legal requirements, regulations and the other requirements set forth herein before the information is forwarded to the Telcos. IGT has sole discretion to determine whether Customer's Billing Transaction Data meets IGT's screening criteria. If any of Customer's Billing Transactions are found by the foregoing edit process to fail to meet the applicable requirements, IGT shall reject and return such transactions (Non-Billables") to Customer and shall not charge Customer any fee with respect to such Non-Billables. IGT shall have no further responsibility for any such returned Billing Transactions.

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(b) Any Billing Transactions submitted to IGT which were initiated by End-Users residing in an area where IGT has no Billing Contract with the Telco servicing such area, will be rejected and returned to Customer as additional Non-Billables. Customer agrees and acknowledges that IGT may unilaterally amend, from time to time, Exhibit A hereto by adding or deleting Telcos. IGT shall notify Customer in writing reasonably promptly after making any such changes. IGT shall use reasonable efforts to notify Customer prior to the incorporation of any changes to the available billing area.

7. TELCO SUBMISSION AND EDIT.  
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(a) In accordance with the schedule set forth on Exhibit D, as updated from time to time, IGT shall submit to the Telcos those Billing Transactions of Customer that have passed IGT's edit process. In addition IGT may provide Telco billing coverage updates on its bulletin board on an as-needed and communicated basis. Customer shall be responsible for on-net coverage and updates from IGT's bulletin board by dialing the current TOT provided number. The applicable Telco may subject Customer's Billing Transactions submitted to it by IGT to its own edit process and thereby refuse to bill certain transactions even though such transactions passed the IGT edit

process. After receipt of notice from the Telco that certain Billing Transactions are Unbillable or have been rejected by the Telco's edit process, IGT may take steps to correct the problem and resubmit the rejected Billing Transactions to the Telcos if IGT, in its sole discretion, believes that the problem can be remedied by reasonable efforts. Customer agrees to fully cooperate with IGT in making any such necessary corrections. Transactions rejected and returned to IGT in an electronic format by the Telco which IGT determines not to resubmit will be returned to Customer, IGT shall have no further responsibility for such rejected transactions.

(b) Subject to terms and conditions set forth herein and in accordance with the Billing Contracts with Telcos, IGT shall collect funds from the Telcos with respect to the Billing Transactions;

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8. TELCO DEDUCTIONS.  
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Telcos may withhold from the gross billed dollars in relation to the Billing Transactions submitted by IGT the following fees and charges:

(a) Telco Holdback. With respect to Customer's Billing Transactions,  
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Customer acknowledges and agrees that there may be withheld from sums owing Customer a reserve for Uncollectibles that may be experienced by the Telcos many months after the settlement of the sums for the Billing Transactions. The percentage rate for such Holdback is determined by either

- (i) The current Telco Reserve Rate which is subject to unilateral change without notice;
- (ii) IGT based on analysis of Telco supplied account write-off detail as applicable to Customer's specific End-User accounts; or
- (iii) An initial start rate of ten percent (10%) for those Telcos capable of providing account write-off detail for which Customer's specific history has not yet been established.

IGT shall exercise reasonable efforts to report to Customer in IGT's standard transaction reports current Telco Holdback rates. From time to time, the Telcos will conduct a Telco True-up for a particular period and may subsequently revise the Reserve Rate as well as collect from or refund to JOT any difference between the amounts withheld by the Telcos and the actual Uncollectibles. As each Telco performs its True-Up and includes its results on Telco payment summaries to IGT, IGT will, as soon as reasonably possible, True-Up Customer's account(s). If the Telco has supplied IGT with sufficient write-off detail to fairly and accurately attribute Uncollectibles to Customer, then Customer's share shall be based on an analysis of such write-off detail, otherwise, Customer's share shall be based on Customer's specific experience in other Telcos combined with the Customer's pro-rata contribution to the period being Trued-up. IGT shall, as soon as reasonably possible, include these results on the current LOT True-Up summary to Customer. Customer hereby agrees that any amount owed to JOT by Customer as a result of this True-Up process shall be offset from Customer's payment summary. If any of Customer's account(s) is/are negative, IGT shall offset the amount due from the next Customer payment summaries or, at IGT's sole option, IGT shall invoice Customer. Customer shall pay the invoiced amount in full within fifteen (16) days of the invoice date. Any amounts due Customer may be held in accordance with the IGT Reserve.

(b) Unbillables. Telcos may reject Billing Transactions or apply Unbillable  
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charges for Billing Transactions that do not pass their edit process. Telco rejected Billing Transactions applicable to Customer and returned to IGT by the Telco shall be returned to Customer Within seven (7) business days of receipt by IGT from the Telco.

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(c) Adjustments. Telcos may deduct from the funds paid to IGT the amount of  
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any Adjustments that are made by the Telcos and IGT. Customer acknowledges that: (I) Adjustments may be performed by a Telco before and/or after any Customer-specific funds are paid to IGT by the Telcos, and (ii) some Adjustments may not be Customer-specific (i.e., cannot be related specifically to the Billing Transactions of the Customer). Adjustment

information available to IGT shall be provided to Customer.

9. TAXES. Absent Customer providing IGT the appropriate tax exception

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certificates required by the applicable jurisdictions, Customer shall be responsible for any Taxes associated with this Agreement. Customer acknowledges that: 1) with respect to Taxes arising from Customer's Billing Transactions, certain Telcos remit Taxes directly to the appropriate taxing authority, and 2) certain other Telcos return Taxes to IGT with instructions for remittance of the Taxes by IGT. IGT shall not be responsible for the Telco's tax determination or the Telco's failure to remit Taxes. IGT shall use reasonable efforts to assist Customer in resolving Tax disputes. Customer shall not be liable for IGT income taxes.

10. SERVICE FEES AND OTHER DEDUCTIONS.

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From amounts collected from Telco in respect to Customer's Billing Transactions, IGT shall be entitled to withhold from its disbursements to Customer, the following fees and charges:

(a) IGT Fees. For Basic Services, IGT shall receive, and Customer shall

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pay, a fee relating to the gross dollars billed by IGT. IGT's billing fees shall be as set forth in Exhibit E hereto. IGT fees shall be assessed with respect to each Billing Transaction submitted to a Telco. Billing Transactions rejected by a Telco and resubmitted by IGT shall be subject to the IGT fee unless such resubmitted was necessitated by an error on the part of IGT. IGT's billing fees shall include billing and collection fees imposed by the Telco's. Notwithstanding the foregoing, IGT shall be entitled to a minimum fee from Customer, as provided in Exhibit E, for each separate Account Number established by Customer, regardless of the number of Billing Transactions submitted to the Telco's in such month for such account. After the initial term of this Agreement, IGT may adjust its fees on sixty (60) days prior written notice to Customer, provided, however, that said adjustment shall not exceed ten percent (10%) per year.

(b) Subscriber inquiry Service Fees. IGT shall receive a Subscriber Inquiry

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Service fee for performance of Subscriber Inquiry Services on End-User phone and written Inquiry. IGT's fees shall be as set forth in Exhibit E. The fee for written inquiry from End-Users is \$50.00 per inquiry. The fee for written inquiry from governmental or other regulatory authorities is \$150.00 per inquiry. IGT shall invoice Customer for Subscriber inquiry Services, and Customer shall pay the invoice within ten (10) days of the date of the invoice. If Customer does not pay the invoice within the prescribed time, IGT may offset Subscriber Inquiry

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Services fees from Customer disbursements. IGT may adjust its fees on sixty (60) days prior written notice to Customer provided, however, that said adjustment shall not exceed ten percent (10%) per year.

(c) IGT Reserve. IGT shall withhold from sums that would otherwise be owing

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with respect to Customer's Billing Transactions such sums as are necessary to fund the IGT Reserve. The IGT Reserve amount for Account Numbers established under this Agreement will initially be established at ten percent (10%) of gross billed dollars, by Account Number, for each deposit of Billing Transactions made by Customer, and the IGT Reserve will adjust down, by Account Number, to four percent (4%) six (6) months from the first deposit month. The above notwithstanding, IGT reserves the unilateral right to adjust the IGT Reserve for any Account Number to offset any shortfalls in the IGT Reserve. Any increase in the reserve amount will be funded by either:

- (i) Increasing the previously agreed upon reserve percentage and amount for the Account Number; and/or
- (ii) Increasing and/or offsetting another Customer Account Number; and/or
- (iii) Invoicing Customer directly for the amount required. Customer shall pay IGT's invoice within ten (10) business days.

In addition, Customer acknowledges that to the extent the Telco Holdback is insufficient to cover Uncollectibles, IGT shall be responsible to the Telcos for any shortfall, which shall be paid out of the IGT Reserve, if available. If the IGT Reserve is not sufficient then, at the option of IGT, the needed amount may be invoiced to Customer (payable within fifteen (15) days) or otherwise deducted from Customer's funds.

(d) Legal Process Expenses. If IGT is served with legal process arising

from IGT's service to Customer and/or Customer's service to End-Users and IGT is not a party to the action, then IGT may assess Customer for its reasonable time and expenses incurred in responding to said process. IGT shall invoice Customer, and Customer shall pay the invoice within thirty (30) days of the date of the invoice. If Customer fails to pay the invoice in a timely manner, IGT may offset the amount due.

11. Remittance OF CUSTOMER FUNDS.  
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(a) Remittances. Customer shall be entitled to such funds as are remitted  
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to IGT by the Telcos in respect of Customer's Billing Transactions less the deductions, to the extent applicable, described in Sections 8, 9 and 10. IGT shall transfer to Customer, or Customer's designated account, the funds collected the prior week to which Customer is entitled hereunder. Such remittance shall be paid by check and delivered to Customer's address set forth herein, provided that remittances in excess of \$10,000 may be made by wire transfer. It shall be Customer's responsibility to provide IGT with complete and accurate wire transfer instructions in writing as well as any changes to Customer's address.

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(b) IGT Reserve Roll-Down. With regard to the periodic roll-down of the IGT  
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Reserve, at thirteen (13) months from the close of a given deposit month, IGT shall remit fifty percent (50%) of the given Account Numbers IGT Reserve to Customer. Furthermore, at eighteen (18) months from the close of said deposit month, IGT shall remit the balance of a given Account Number's IGT Reserve. The above notwithstanding, IGT reserves the unilateral right to withhold remittances under this section to offset any actual or reasonably anticipated shortfalls in the IGT Reserve.

(c) Final Disbursement of IGT Reserve. With regard to the final  
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disbursement of the IGT Reserve, the balance not applied in the Telco True-up, if any, shall be accounted for within thirty (30) days after the final Telco True-up for the relevant deposit period. If the IGT Reserve was insufficient to cover Customer's share of the Uncollectibles, then IGT may, at its option, deduct any shortfall from subsequent payments to Customer or invoice Customer for the amount owing. Customer agrees to pay any such amount invoiced within fifteen (15) days after receipt of invoice. Customer acknowledges that the Telcos may provide additional Uncollectibles after the True-up period, IGT shall promptly notify Customer and provide Customer with data from the Telco, if available. IGT shall invoice Customer and Customer shall pay IGT within fifteen (15) days of the invoice date.

(d) Assignment of Proceeds. If Customer assigns to a third-party any of its rights to any sums owing to it by IGT hereunder, Customer shall so notify IGT of such assignment by means of, and subject to the terms of, the form attached hereto as Exhibit H. IGT shall have no obligation with respect to any assignment or payment direction of Customer which does not conform with Exhibit H. Further, IGT shall have no obligation to enter into any understanding or agreement with any third party with respect to such assignment.

12. REPORTS.  
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(a) Standard Reporting. IGT agrees to provide Customer with IGT's standard  
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transaction reports per the delivery schedule set forth on Exhibit F. Customer may request that IGT provide additional reports or a different formatted report. To the extent IGT can comply with such request with reasonable effort, IGT shall supply such reports at an additional charge to be determined solely by IGT, based upon the time and expense required to generate such reports.

(b) Audit. Upon written notice by Customer, and no more frequently than  
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twice during a twelve (12) month period, IGT shall provide Customer access to the information IGT receives from Telcos with respect to Customer's Billing Transactions. Customer may request such information more frequently, but such additional requests shall be serviced only on an "as available" basis and at an additional cost to the Customer to be determined solely by IGT. The charges for additional requests shall be based on the time and other costs incurred by IGT to comply with such request(s)

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(c) Report Review. Customer agrees that it is solely responsible for

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inspecting and reviewing all reports provided by IGT within thirty (30) days of receipt by Customer. Customer's failure to report any errors or inconsistencies with respect to such reports shall constitute acceptance by Customer.

(d) Report Detail. Customer acknowledges and agrees that (1) the individual

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Telcos may not provide definitive detail to IGT for Billing Transactions the Telco deems to be Unbillable, Recoursed, or Uncollectible, (ii) IGT shall not be held to a higher standard of accounting pertaining to Telco performance as provided by the individual Telco, and (iii) IGT's methodology associated with the determination of Customer's share of Unbillables, Recourse or Uncollectibles is reasonable and appropriate given the detail received from the individual Telco.

13. BILLING APPEARANCE. Where the applicable Telco provides sub-carrier

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billing, Customer's Billing Transaction shall appear on such Telco's subscriber bills with charges from "YP Net" (or A name similar thereto) or, if possible, under the name of Customer (no more than 20 characters, including spaces).

14. END-USER INQUIRIES.

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(a) Processed Inquiry. The Telcos, in some instances, requires that they

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will handle certain End-User billing inquiries with respect to Billing Transactions submitted by IGT to that Telco. Upon request, IGT shall provide a description of such arrangements to Customer for any Telco pertinent to Customer's Billing Transactions, subject to any confidentiality requirement between IGT or IGT's agent and such Telco.

(b) IGT Processed Inquiry. Unless otherwise provided by the Telcos, IGT

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shall provide Subscriber inquiry Services as described in Exhibit G.  
(c) Customer Information. Customer agrees to cooperate with the applicable

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Telcos and IGT with respect to any subscriber inquiries, which cooperation shall include, without limitation, providing originating numbers, locations, and applicable rate tables. IGT and Customer shall establish a contact within each organization for the purpose of resolving End-User inquiries.

15. CUSTOMER REPRESENTATIONS AND WARRANTIES.

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Customer represents and warrants to IGT, as follows:

(a) Compliance With Laws. Customer is, and throughout the Term of this

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Agreement shall be, in compliance with all applicable IGT policies, Telco policies and federal, state, and local, legal and regulatory requirements applicable to any Billing Transactions submitted by the Customer to IGT, including, without limitation, all certification requirements, tariffs, rate caps, validation requirements, preamble, disclosure, advertising, solicitation, and content applicable to Customer's Billing Transactions.

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(b) Audio Text. Customer is, and throughout the Term of this Agreement

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shall be, in compliance with all IGT policies, Telco policies and state and federal laws, regulations and rules with respect to the content of the audio text of its Services, specifically including, but not limited to, laws, regulations and rules relating to the transmission of obscene and indecent material.

(c) Approved Programs Only. All Billing Transactions submitted by Customer

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shall represent only those information service programs which have been approved by IGT.

(d) Customer acknowledges and agrees:

(i) IGT shall not be responsible for the content of the Customer's services.

(ii) IGT shall not be required hereunder to commence any litigation for collection of bills rendered to End-Users.

(iii) In the absence of willful misconduct, IGT shall have no liability to Customer in respect of its acts or omissions in the performance of services under this Agreement.

16. IGT'S REPRESENTATION AND WARRANTY. IGT represents and warrants that it

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is in compliance with all applicable federal and state regulations with respect to the services to be rendered hereunder, and it shall maintain such compliance throughout the Term of this Agreement. IGT shall not be deemed a trustee or fiduciary in its performance of this Agreement.

17. PROOF OF COMPLIANCE. Customer agrees to provide written proof of such

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compliance (as required in Section 15) to IGT within five (5) days of IGTs request. Customer acknowledges that IGT shall have the right to immediately suspend any and all obligations and IGT shall have no liability to Customer hereunder in the event IGT does not receive satisfactory written proof of such compliance. Customer agrees to advise IGT in writing as soon as reasonably possible of any instances where it is not in compliance with such regulatory requirements. Customer agrees to indemnify and hold IGT harmless from any and all third party claims that may arise with regard to the Billing Transactions or the provision of services hereunder.

18. LIMITATION OF LIABILITY.

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IN NO EVENT WILL IGT BE LIABLE FOR ANY LOSS OF PROFITS, LOSS OF USE, LOSS OF GOODWILL, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES REGARDLESS OF THE FORM OF ANY CLAIM, WHETHER IN CONTRACT OR IN TORT OR WHETHER FROM BREACH OF THIS AGREEMENT, IRRESPECTIVE OF WHETHER IGT HAS BEEN ADVISED OR SHOULD BE AWARE OF THE POSSIBILITY OF SUCH DAMAGES. CUSTOMER HEREBY ACKNOWLEDGES AND AGREES THAT IGT'S LIABILITY WITH RESPECT TO THE PERFORMANCE OF IGT'S Services SHALL BE LIMITED TO THE AMOUNT OF IGT FEES PAID BY CUSTOMER FOR THE AFFECTED BILLING TRANSACTIONS. CUSTOMER FURTHER AGREES TO INDEMNIFY AND HOLD IGT HARMLESS FOR

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ANY AND ALL CLAIMS THAT MAY ARISE FROM ANY THIRD PARTIES RELATING TO CR RESULTING FROM THE SERVICES PROVIDED HEREUNDER.

19. INDEMNIFICATION.

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(a) By Customer. Customer hereby agrees to indemnify and hold IGT harmless

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against all obligations, liabilities, claims, demands, losses, damages, costs or expenses (including attorney's fees), arising out of or relating to: (1) Customer's use of IGT's services, (ii) Customer's inadvertent or intentional submission of non-approved Billing Transactions, (iii) Customer's advertising of IGT's services, (iv) the content of Customer's audio text or the provision by Customer of the Services billed by IGT, (v) any Taxes, penalties, interest, -additions to tax, surcharges or other charges or expenses payable or incurred by IGT in respect of Customer's Billing Transactions or resulting from the Customer's use of IGTs services, or (vi) any breach by Customer of any representation, warranty or covenant under this Agreement. In the event that IGT is joined as defendant in any action or proceeding arising out of any of the foregoing, IGT may, at its option, engage its own attorneys to defend IGT and/or Customer, and Customer shall pay all reasonable attorney fees, costs and expenses incurred by IGT.

(b) By IGT. IGT hereby agrees to indemnify and hold Customer harmless

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against all obligations, liabilities, claims, demands, losses, damages, costs or expenses (including attorney's fees), arising out of or relating to any breach by IGT of any representation, warranty or covenant under this Agreement.

20. TERMINATION FOR DEFAULT.

-----  
Either party may terminate this Agreement, without liability, effective immediately upon written notice to the other party upon any of the following events:

(a) The other party defaults on any payment obligation hereunder and fails to cure such payment default within ten (10) business days of written notice of such payment default to the defaulting party by the non-defaulting party; or

(b) The other party defaults with respect to any other material provision of this Agreement and fails to cure such default within thirty (30) days of written notice of such default to the defaulting party by the non-defaulting party; or

(c) The other party is found by an appropriate governmental authority to have violated or to be in violation of federal, state or local laws or regulations relating to the providing, soliciting, or advertising of its services, and such violation has not been cured within thirty (30) days

after such finding; or

(d) The other party has violated a representation, warranty or covenant contained in this Agreement and such violation remains uncured after ten (10) days following written notice of such violation from the non-defaulting party specifying the nature of the violation; or

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(e) The other party has (i) filed a voluntary petition in bankruptcy or voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts, or any other relief under the Federal Bankruptcy Code or under any other insolvency act or law, now or hereafter existing, or (ii) a receiver or trustee appointed involuntarily, and such petition or action is not suspended, stayed or dismissed within sixty (60) days after such filing or appointment, as the case may be or

(f) if seventy-five percent (75%) of Customer's submitted Billing Transactions are not billable with one or more of the Major Telcos.

21. SPECIAL RIGHTS OF IGT TO TERMINATE AGREEMENT.  
-----

(a) Damage to Public Image. If IGT determines, in its sole discretion, that

-----  
its business may be adversely affected or that the Services offered by such Customer may adversely affect IGT's public image or damage IGT's reputation or goodwill and if, after notification from IGT to Customer, Customer has not cured the indicated problem to IGT's satisfaction within five (5) business days, IGT reserves the right to terminate services to Customer and the Customer's use of the IGT's services immediately upon written notice to Customer.

(b) Termination due to Violation of Law. IGT reserves the right to monitor

-----  
any program being billed by [CT, and, if IGT, in its sole discretion, believes any program to be in violation of Telco policies, IGT's business policies, any state, local or federal laws or regulations, to terminate Basic Services for those programs if, after notification from IGT to Customer, Customer has not cured the indicated problem to IGT's satisfaction within five (5) business days. IGT will provide the Customer a report summarizing the quantity of calls and dollars being suspended from the billing process. The Billing Transaction Data and account records shall be returned to the Customer.

22. EFFECT OF TERMINATION.  
-----

(a) Termination of this Agreement shall terminate all the rights and obligations of the parties hereunder, except that:

(i) neither Customer nor IGT shall be released of its respective obligations to pay any sums of money due or payable or accrued under this Agreement;

(ii) confidential information, as defined herein, and any copies shall be returned to the Disclosing Party within thirty (30) days of termination of this Agreement and the Receiving Party shall keep such confidential information confidential for two (2) years from the date of termination; and

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(iii) in the event the termination is a result of the default or breach by a party, the other party shall be entitled to pursue any and all rights and remedies it has to redress such default, breach or inequity.

(b) The parties agree that the termination of this Agreement pursuant to any provision or section hereof, or for any other reasons, shall not affect or terminate any obligation or liability incurred or assumed by either party prior to effective date of termination of this Agreement, and the provisions of this Agreement shall survive its termination with respect to conclusion of any unresolved matters or payment obligation relating to the services performed prior to termination.

(c) Upon termination of this Agreement or of Basic Services to a specific Customer account, no call records shall be received or processed after the effective date of the termination, and IGT shall have no obligation hereunder. IGT shall proceed to process Billing Transactions already in its billing system as of the termination date.

(d) Upon termination of this Agreement, Customer agrees that IGT may



withhold reasonable amounts as Reserves thereby increasing the IGT Reserve to offset any service related costs and/or charges that may occur after settlement of Customer's final submission of Billing Transactions. Upon the last Telco's final True-up for the last deposit month, IGT shall provide Customer with a final accounting and remit any remaining amounts withheld or shall invoice Customer as appropriate. Any amount owing from one party to the other as a result of the True-up shall be paid within fifteen (15) days of IGT's final accounting.

23. CONFIDENTIALITY.

(a) As used in this Agreement "Confidential Information" of either Customer or IGT shall mean any written or documentary information relating to the service or business operation of the party ("Disclosing Party") that is given to the other Party ("Receiving Party") pursuant to this Agreement or otherwise if such information is marked "Confidential", bears a marking of like import, or is or was identified by the Disclosing Party as "Confidential" at the time of transmittal to or receipt by the Receiving Party. Orally disclosed information shall be considered Confidential Information if it is identified as such at the time of disclosure by the Disclosing Party and within twenty (20) days after oral disclosure thereof the Disclosing party confirms in writing to the Receiving Party the confidential nature of such information. "Confidential Information" shall also include any equipment, hardware or software (including firmware) made available to a Receiving Party by a Disclosing Party that includes or represents a tangible manifestation of a Party's "Confidential Information", whether or not such equipment bears any confidential legend or marking.

(b) Each party agrees that Confidential Information of the other party which is disclosed or obtained by it hereunder or otherwise, shall, subject to the terms and conditions of this Agreement, be retained in confidence and shall be protected to the same extent and in the same manner as comparable confidential information of the Receiving Party, but no less than a reasonable standard of care.

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(c) Information shall not be deemed confidential, and Receiving Party shall have no obligation under this provision with respect to any:

- (i) Information which now or hereinafter comes into the public domain without breach of this Agreement;
- (ii) Information already in the possession of or known to the Receiving Party at the time of disclosure as evidenced by prior written documentation thereof;
- (iii) Information rightfully and lawfully received by a Receiving Party from a third party without breach of this Agreement or any other agreement as evidenced by existing written documentation thereof;
- (iv) Information developed independently or discovered by a Receiving Party without use of the Disclosing Party's Confidential Information as evidenced by existing written documentation thereof;
- (v) Information approved for release by written authorizations of the Disclosing Party; or
- (vi) Information disclosed pursuant to the requirement or request of a governmental agency or court of competent jurisdiction to the extent such disclosure is required by a valid law, regulation or court order and sufficient notice is given by the Receiving Party to the Disclosing party of any such requirement or request to permit the Disclosing party to seek appropriate protective order or exemption from such requirement or request.

(d) All information and all tangible forms of information, including, but not limited to documents, drawings, specification, prototypes, samples and the like received hereunder by a Receiving party shall remain the property of the Disclosing Party. Upon written request by a Disclosing Party, a Receiving party shall return to a Disclosing Party all tangible forms of the Disclosing Party's Confidential Information received by Receiving party, including all copies thereof.

24. CHOICE OF LAW AND VENUE. THE VALIDITY OF THIS AGREEMENT, ITS CONSTRUCTION,

INTERPRETATION, AND ENFORCEMENT, AND THE RIGHTS OF THE PARTIES HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF California. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED EXCLUSIVELY IN AND VENUE SHALL BE PROPER ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA OR, AT THE SOLE OPTION OF IGT, IN ANY OTHER COURT IN WHICH IGT SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH

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PARTIES HERETO WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION.

25. ANNOUNCEMENTS AND RELEASES. Neither party may use the other party's name in  
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promotional or marketing advertisements, public announcements or public disclosures nor shall either party disclose the existence or terms of this Agreement or its subject matter, without the prior written consent of the other party.

26. NOTICES. All notices and other communications which are required or may be  
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given hereunder shall be in writing and shall be delivered personally or sent by U.S. mail, by facsimile, or by reputable overnight carrier. All notices and other communications shall be deemed given when actually received by a party. Notice by mail shall be directed to a party at its address set forth below or such other address as shall be given in accordance with this Agreement.

Integretel Incorporated,	Greg Crane
5883 Rue Ferrari	Trust Manager
San Jose, CA 95138	9420 E. Doubletree, Suite C102
Attention: General Counsel	Scottsdale, AZ 85258

27. DISPUTE RESOLUTION AND ARBITRATION:  
-----

Except for an action seeking a temporary restraining order or injunction related to the purposes of this Agreement, or a suit to compel compliance with this dispute resolution process, the parties shall use the following alternative dispute resolution procedures as their sole remedy with respect to any claim, dispute, or other controversy arising out of or relating to this Agreement or its breach.

(a) Dispute Resolution. At the written request of a party, each party shall  
-----

appoint an officer or employee representative to meet and negotiate in good faith and attempt to resolve any dispute arising under this Agreement. The location, format, frequency, duration and conclusion of these discussions shall be left to the discretion of the representatives. Upon agreement, the representative may utilize other alternative dispute resolution procedures such as mediation to assist in the negotiations. Discussions and correspondence among the representatives for purposes of these negotiations shall be treated as confidential information developed for purposes of settlement, exempt from discovery and production, which shall not be admissible in the arbitration described below or in many lawsuit without the concurrence of the parties. Documents identified in or provided with such communications, which are not prepared for purposes of the negotiations, are not so exempted and may, if otherwise admissible, be admitted in evidence in the arbitration or lawsuit.

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(b) Arbitration. If the negotiations do not resolve the dispute within  
-----

sixty (60) calendar days of the initial written request, the dispute shall be submitted to binding arbitration by a single arbitrator pursuant to the Commercial Arbitration rules of the American Arbitration Association. A party may demand such arbitration in accordance with the procedures set out in those rules. Discovery shall be controlled by the arbitrator and shall be permitted to the extent set out in this section. The arbitration hearing shall be commenced within sixty (60) calendar days of the demand for arbitration. The arbitration shall be held in San Jose California. The arbitrator shall control the scheduling so as to process the matter expeditiously. The parties may submit written briefs. The arbitrator shall rule on the dispute by issuing a written opinion within thirty (30) calendar days after the close of the hearings. The times specified in this section may be extended upon mutual agreement of the parties or by the arbitrator upon a showing of good cause. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. Each party shall bear its own costs of these procedures. A party seeking discovery shall reimburse the responding party the costs of production of

documents (including search time and reproduction costs). The parties shall equally split the fees of the arbitration and the arbitrator.

28. GENERAL PROVISIONS.

(a) Attorney's Fees. IN the event of any dispute, claim or legal proceeding

(arbitrations excepted as provided herein) arising out of or relating to this Agreement, the prevailing party thereto shall be entitled to reimbursement from the other(s) of all reasonable attorney's fees and costs incurred in connections therewith.

(b) Collection Fees. In the event that IGT must hire a collection agency or

service to collect fees or any funds owed IGT pursuant to this Agreement, Customer shall be responsible for all such collection fees and will remit payment to IGT within fifteen (15) days of receipt of invoice.

(c) Severability. If any provision of this Agreement is found to be invalid

by any court, the invalidity of such provision shall not affect the validity of the remaining provisions hereof.

(d) Captions. The paragraph headings contained in this Agreement are for

reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(e) Assignment. Customer may not assign any of its rights or obligations

hereunder without the prior written consent of IGT. IGT consent may not be unreasonably withheld. This Agreement shall be binding upon and inure to the benefit of each of the parties, their successors and assigns.

(f) Amendments. Except as otherwise provided herein, this Agreement may be

amended or modified only by a written instrument executed and delivered by all of the parties hereto. No waiver by either party of any breach by the other party or of the provisions of this Agreement shall be construed as a waiver of that or any other provision on any other occasion.

Billing Services Agreement

Public Management

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(g) Third Party Rights. The parties do not intend to confer any benefit

hereunder on any person or entity other than the parties hereto.

(h) Further Assurances. The parties agree to do such further acts and to

execute and deliver such additional agreements and documents as the other(s) may reasonably request to consummate, evidence or confirm the agreements contained herein and the matters contemplated hereby.

(i) Force Majeure. Neither party shall be deemed in default of this

Agreement to the extent that any delay or failure in performance of its obligation results, without its fault or negligence, from any cause beyond its control, such as acts of God, acts of civil or military authority, government regulation, embargoes, epidemics, war, terrorist acts, riots, insurrections, fires, floods, earthquakes, nuclear accidents, strikes, power blackouts, unusually server weather conditions, inability to secure products or services of other persons or transportation facilities, or act of or omission of transportation common carriers.

(j) Counterparts. This Agreement may be executed in separate counterparts,

each of which shall be deemed an original, and both of which together shall constitute one and the same- instrument.

(k) Integration of Agreement. This Agreement and accompanying exhibits

contain the entire understanding of the parties with respect to its subject matter and supersedes all prior and contemporaneous agreements, representations and understandings among the parties, whether oral or written, relating to the subject matter hereof.

Billing Services Agreement

Public Management

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(l) Corporate Authority. The parties hereto represent and warrant that they

have the capacity, power and authority to enter into this Agreement, and that the individuals signing on behalf of both parties have the authority to so sign.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date set forth above.

INTEGRETEL, INCORPORATED

By: /s/ Ken Dawson  
-----

Name: Ken Dawson  
-----

Title: President  
-----

Date: 1/9/98  
-----

PUBLICATION MANAGEMENT, A WASHINGTON D.C. TRUST

By: /s/ Greg Crane  
-----

Name: Greg Crane  
-----

Title: Trust Manager  
-----

Date: 1/9/98  
-----

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Public Management  
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EXHIBIT "A"

(Where Misc. Records available)

-----  
TELCO

Ameritech  
Bell Atlantic  
Bell South  
    Interstate  
Cincinnati Bell  
    Interstate  
GTE  
Nevada Bell  
    Interstate  
NYNEX  
Pacific Bell  
    Interstate  
Southwestern  
US West

12-02-96

All miscellaneous programs are subject to initial and continuing Telco approval and can be terminated at any time. Additional Telcos may be available for service, subject to Telco approval, upon IGT review and recommendation. The above information is generally current at the time of printing and is to be used for informative purposes only. The information contained in this exhibit is subject to change without notice. Inclusion in the above list does not indicate or imply that the named Telcos approve the program(s) contemplated under this Agreement. IGT makes no promise or guarantee that this information is constant, permanent, all inclusive and/or final.

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EXHIBIT "B"

{This page intentionally left blank}

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Publication Management  
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JANUARY 1998

SUN	MON	TUE	WED	THU	FRI	SAT
				1	2	3
				X		
4	5	6	7	8	9	10
	B		EP	A		
11	12	13	14	15	16	17
	B		EP	A		
18	19	20	21	22	23	24
	B		EP	A		
25	26	27	28	29	30	31
	B		EP	A		

A=DEADLINE for billing Integretel  
(By noon PST)  
B=DEPOSIT tapes shipped to Telcos  
EP=Early Pay Wires Sent  
X=Holiday

FEBRUARY 1998

SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7
	B		EP	A		
8	9	10	11	12	13	14
	B		EP	A		
15	16	17	18	19	20	21
	B		EP	A		
22	23	24	25	26	27	28
	B		EP	A		

A=DEADLINE for billing Integretel  
(By noon PST)  
B=DEPOSIT tapes shipped to Telcos  
EP=Early Pay Wires Sent  
X=Holiday

MARCH 1998

SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7
	B		EP	A		
8	9	10	11	12	13	14
	B		EP	A		
15	16	17	18	19	20	21
	B		EP	A		
22	23	24	25	26	27	28
	B		EP	A		
29	30	31				
	B					

A=DEADLINE for billing Integretel  
(By noon PST)  
B=DEPOSIT tapes shipped to Telcos  
EP=Early Pay Wires Sent  
X=Holiday

APRIL 1998

SUN	MON	TUE	WED	THU	FRI	SAT
-----	-----	-----	-----	-----	-----	-----

```

---  ---  ---  ---  ---  ---
      1   2   3   4
      X
---  ---  ---  ---  ---  ---
5    6   7   8   9   10  11
      B       EP  A
---  ---  ---  ---  ---  ---
12   13  14  15  16  17  18
      B       EP  A
---  ---  ---  ---  ---  ---
19   20  21  22  23  24  25
      B       EP  A
---  ---  ---  ---  ---  ---
26   27  28  29  30
      B       EP  A
A=DEADLINE for billing Integretel
  (By noon PST)
B=DEPOSIT tapes shipped to Telcos
EP=Early Pay Wires Sent
X=Holiday

```

```

-----
MAY 1998
-----
SUN  MON  TUE  WED  THU  FRI  SAT
---  ---  ---  ---  ---  ---  ---
      1   2
---  ---  ---  ---  ---  ---  ---
3    4   5   6   7   8   9
      B       EP  A
---  ---  ---  ---  ---  ---  ---
10   11  12   13  14  15  16
      B       EP  A
---  ---  ---  ---  ---  ---  ---
17   18  19   20  21  22  23
      B       EP  A
---  ---  ---  ---  ---  ---  ---
24   25  26   27  28  29  30
      X   B   EP  A
---  ---  ---  ---  ---  ---  ---
31
A=DEADLINE for billing Integretel
  (By noon PST)
B=DEPOSIT tapes shipped to Telcos
EP=Early Pay Wires Sent
X=Holiday

```

```

-----
JUNE 1998
-----
SUN  MON  TUE  WED  THU  FRI  SAT
---  ---  ---  ---  ---  ---  ---
      1   2   3   4   5   6
      B       EP  A
---  ---  ---  ---  ---  ---  ---
7    8   9   10  11  12  13
      B       EP  A
---  ---  ---  ---  ---  ---  ---
14   15  16   17  18  19  20
      B       EP  A
---  ---  ---  ---  ---  ---  ---
21   22  23   24  25  26  27
      B       EP  A
---  ---  ---  ---  ---  ---  ---
28   29  30
      B
A=DEADLINE for billing Integretel
  (By noon PST)
B=DEPOSIT tapes shipped to Telcos
EP=Early Pay Wires Sent
X=Holiday

```

Exhibit "C"  
Data Format Specification: EMI Simplified  
-----  
Information Services: Detail Records  
-----

<TABLE>  
 <CAPTION>  
 POSITION

NAME

VALUES

<S>	<C>	<C>
82-101	INDICATOR 1 -20	Zero fill except as noted:
87	Indicator 6	1=Full minute rounded time
102-112	filler	Zeros
113-122	BILLING NUMBER	Telephone number responsible for the charge.
123-134	FROM LOCATION	Optional City, State of origination, or Description of Service of name of IP.
135 - 146	TO LOCATION	Description of Service or name of IP No specialty character, letters only.
147-149	filler	Zeros
150-152	Client ID	IGT assigned Client number
153-161	filler	Zeros
162 - 162	INDICATOR 25	1 =Auto Collect positive ack, 0=1/A or passive accept
163-167	filler	Zeros
168-171	MEMBER/AGENT	Client specific, to aid in Identifying IP's and/or product types.
172 - 175	BATCH/SUB ACCT	Client specific. Optional zero filled if not used

</TABLE>

IN GENERAL:

- - Bytes 1 thru 122 are numeric, zero filled if not used
- - Bytes 123 thru 175 are either zero or blank (not null) filled, as specified
- - Send media via 9-track (preferred), 3 112" or 5 114" diskettes, modem (in emergencies), 18-track (3480 style), mountain back-up cartridge or Colorado back-up cartridge
- - Always INCLUDE OUR IGT TAPE CONTROL FORM, OR A SUITABLE SUBSTITUTE, with physical media.

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<TABLE>  
 <CAPTION>

EXHIBIT "C"  
 DATA FORMAT SPECIFICATION: EMI SIMPLIFIED  
 -----  
 INFORMATION SERVICES: SUMMARY RECORDS  
 -----  
 PAGE 3 OF 3

POSITION	NAME	VALUES
<S>	<C>	<C>
1-6	RECORD ID	425001 = Non Detail Charge
7-12	DATE OF CALL	yy/mm/dd
13-39	filler	Zeros
40-45	Charge	9999v99 (v=assumed decimal)
46-47	filler	Zeros
48-51	STATE TAX	99v99 (v=assumed decimal)
52-54	LOCAL TAX	9v99 (v=assumed decimal)
55-81	filler	Zeros
82-93	filler	Zeros

94-94	indicator 13	1=State Tax present 2=State and Local Tax present 3=Local Tax present
95-112	filler	Zeros
113-122	BILLING NUMBER	Account number responsible for changes.
123-1 49	filler	Zeros
150-152	CLIENT ID	Client specific account code. (IGT/IGT assigned)
153-167	filler	Zeros
168-172	TEXT CODE	Client specific (Alpha/Numeric): Identifies type of service IGT/IGT assigned)
173-175		BATCH/SUB ACCT Client Specific (Numeric only)

</TABLE>

IN GENERAL:

- 
- - Bytes 1 thru 122 are numeric, zero filled if not used
  - - Bytes 123 thru 175 are either zero or blank (not null) filled, as specified
  - - Send media via 9-track (preferred), 3 1/2" or 5 1/4" diskettes, modem (in emergencies), 18-track (3480 style), mountain back-up cartridge or Colorado back-up cartridge
  - - Always include our IGT Tape Control Form, or a suitable substitute, with physical media.

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EXHIBIT "E"  
Price Schedule

-----  
Billing Services Agreement

-----  
Page 1 of 1

Service Fee: IGT shall receive the following fees for Basic Services and Subscriber Inquiry Services.

1. Telco Outclearing (425001 Billing Transactions)

Gross dollars Deposited per Month	Fee per Billing
All	6%

Each month, IGT shall receive a Telco Clearing fee equal to the greater of the Deposited dollars multiplied by the above billing percentage or the Billable Transactions deposited times a \$1.35 minimum transaction fee, but in no event shall the Telco Outclearing fee be less than the Telco Outclearing Minimum Fee.

2. Telco Outclearing Minimum Fee\*: \$ 5,000.00 per month per initial Account.  
\$ 5,000.00 per month per additional Account.

\*During the Term of this Agreement, if Customers aggregate Telco Outclearing Minimum Fee paid to IGT exceeds fifty thousand dollars (\$50,000) on Customer's initial Account, then Customer shall not be liable to IGT for Telco Outclearing Minimum Fees on said Account for the remainder of the Term. For purposes of illustration only, if Customer has paid IGT fifty thousand dollars (\$50,000) in Telco Outclearing fees on its initial Account through the first nine (9) months of the Term, and in the ninth month incurs three thousand dollars (\$3,000) in Telco Outclearing Fees on said Account, then Customer shall not be obligated to remit to IGT the two thousand dollar (\$2,000) difference between the Telco Outclearing Minimum Fee and the Telco Outclearing fee. The Telco Outclearing Minimum Fee limitation provided in this paragraph shall not be applicable to any additional Account(s) ordered by Customer.

\*\* The Telco Outclearing Minimum Fee shall be effective the third full deposit month following Customer's first deposit of Billing Transactions under this Agreement. There shall be no ramp-up period for subsequently opened Accounts.

3. Subscriber Inquiry Services Fees:

The Subscriber Inquiry Services Fees for phone inquiry is \$3.50 per live agent processed Inquiry made to End-User accounts (includes adjustments (41 records), if any, made to the End-User account).

<TABLE>



<CAPTION>

<S>

<C>

4. Initial Account Activation: \$ 3,000.00 initial Account activation.  
 Does include Customer specific sub-dc activation.  
 Due upon execution of Agreement.

\$ 1,500.0 additional Account activation.  
 Does include Customer specific sub-cic activation.

5. Text Phrase Approval: \$ 100.00 per approved  
 Customer program.

6. Program Approval: \$100.00  
 </TABLE>

Billing Services Agreement  
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EXHIBIT "F"  
 Delivery Schedule of Reports  
 -----  
 Page 1 of 1

The following reports are available on the BBS:

Report -----	Available on BBS -----
Conversion Report	Day after data is submitted to IGT
Edit Reports	Day after data is submitted to IGT
Edit Reject arid Non-Bill Detail Data	Day after data is submitted to IGT
Edit Reject Detail and Summary Reports	Day after data is submitted to IGT
Inquiry Comments and Data	Thursdays
Telco Recourse Detail Data	Tuesdays
Telco Unbill Detail Data	Mondays
True-Up Detail Data	Thursdays
Deposit Duplicate Detail Data	Day after data
Transaction Summary	Friday
Payment Summary	Friday
Dilution Summary	Friday
- -(Unbillable Summary, Recourse Summary, Uncollectible Summary)	

The above reports are also available via 48 hour delivery service if you choose not to use the BBS.

True-up Summary reports are not currently available on the BBS and will be transmitted on the last Friday of each month.

Exhibit Revised 11/96

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EXHIBIT "G"  
 Inquiry Services  
 -----  
 Page 1 of 2

During the Term of this Agreement, IGT, in lieu of inquiry services provided by one or more Telcos, will provide primary inquiry services to the Customer consisting of, but not limited to:

- 1) acceptance of End-User inquiries or claims,
- 2) resolution of End-User inquiries or claims,
- 3) credit, adjustment. and investigation of charges billed to the End-User, as appropriate.

To the extent that IGT provides such primary inquiry services, IGT shall:

- 1) establish toll free ~800,' telephone numbers to be used by End-Users for the purpose of making inquiries or claims regarding charges appearing on bills issued by the Telco,
- 2) provide inquiry service representatives to assist End-Users with said inquiries or claims,
- 3) IGT will instruct each Telco, that it has an agreement with, to refer all inquiries or claims regarding Customer's services to the 580Gb numbers provided by IGT.

IGT will establish and maintain written guidelines that describe the manner in which End-User inquiries or claims will be responded to, including, but not limited to, the manner in which appropriate credits, adjustments, and investigations will be made. Supplements and amendments to written guidelines will be made as necessary and provided to the client.

IGT will be responsible for responding to all End-User inquiries or claims related to billable messages and will provide credits and adjustments as appropriate, in accordance with the guidelines and procedures established.

Customer will designate a representative who will cooperate with IGT in the resolution of any questions or problems pertaining to primary inquiries or claims.

Should Customer have any member companies for whom they aggregate call records, IGT will contact and/or correspond with any of these companies as needed upon written authorization of Customer.

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Publication Management  
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EXHIBIT "G"  
Inquiry Services  
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Page 2 of 2

Written Inquiry Processing

IGT shall process all End-User and regulatory complaints received on behalf of Customer unless Customer previously requests the option of handling written complaints independently or in cooperation with IGT.

If Customer requests that IGT handle all written inquiries, IGT will handle the inquiries according to its current procedures.

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EXHIBIT "H"  
Payment & Reporting Distribution  
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Page 1 of 3

Client ID Number(s): \_\_\_\_\_

Company Name: \_\_\_\_\_

Wire Transfer Designation: (IGT must receive change in wire instructions by \_\_\_\_\_  
Thursday for Friday Wires)

Customer Funds Assigned To (if applicable): \_\_\_\_\_  
Attached is Letter of Assignment or suitable document(s) to instruct distribution all or a portion of Customer Funds.

Bank Name: \_\_\_\_\_

Bank Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Account Name: \_\_\_\_\_

Account Number

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EXHIBIT "H"  
Payment & Reporting Distribution

Page 2 of 3

Bank ABA Transfer  
Number:

Settlement Report Distribution

Attention:

Phone:

Fax:

Address:

Report and Detail Distribution (Edits, Inquiry, Telco Returns)

Attention:

Phone:

Fax:

Address: (if different from above):

Media Preference: Reports on: Paper Tape 3 1/2 5 1/4 BBS

Detail Records on: Tape 3 1/2 5 1/4 BBS

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Publication Management  
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EXHIBIT "H"  
Payment & Reporting Distribution

Page 3 of 3

Inquiry Contact Information

For IGT Internal Use:

Inquiry Contact Person:

Phone#:

Fax#:

Information for End-Users:

Customer Services Number: (optional)

Customer Service

Address:

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Would you prefer IGT to give End-Users your customer services phone number or address?

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Authorized

Signature:

Date:

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EXHIBIT "I"  
Gaming Requirements  
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Optional: Only for use with customers that provide gaming services.

Billing Services Agreement  
Publication Management  
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ENHANCED SERVICES BILLING AND INFORMATION MANAGEMENT SERVICES AGREEMENT

This Enhanced Services Billing and Information Management Services Agreement (the "Agreement") is made this 3 day of December 1999 (the "Effective Date") by

Enhanced Services Billing, Inc. ("ESBI" or "Company"), a Delaware corporation, whose principal address and telephone number are 7411 John Smith Drive, Suite 200, San Antonio, Texas 78229-4898, (210) 949-7000, and Telco Billing, Inc. ("Customer"), a Nevada corporation, whose principal address and telephone number are 9420 E. Doubletree C-102, Scottsdale, Arizona 85258, (800) 300-3209. Customer and Company, and their affiliates, are sometimes referred to as the "parties."

RECITALS

WHEREAS, Customer is engaged in the business of providing certain communications products and services that it desires to bill and collect through Local Exchange Carriers; and

WHEREAS, Company has entered into billing and collection agreements with certain LECs ("LEC Agreements") that allow Company to provide billing and information management services for Qualifying EMI Billing Records ("Qualifying Records") on behalf of Company's customers; and

WHEREAS, Customer desires to obtain such billing and information management services from Company on the terms and conditions contained herein:

NOW, THEREFORE, the parties, intending to be legally bound, hereby agree as follows:

SECTION 1. DEFINITIONS.

As used in this Agreement, certain terms have the meanings set forth in Exhibit "A," unless the context requires otherwise.

SECTION 2. SCOPE OF AGREEMENT.

Customer will purchase from Company and Company will provide, subject to the terms and conditions set forth herein, such terms and conditions being subject to the limitations of the LEC Agreements and Coalition Guidelines, the services described in Section 3. As Company enters into additional LEC Agreements, Company will provide services to Customer in such areas on the same terms and conditions as contained herein.

SECTION 3. BILLING SERVICES.

(a) Submission of EMI Billing Records("Records"): Customer will

submit its Records to Company for purchase and submission to the LEG. Customer will submit Records at least once per week that contain adequate information for Company and LEC to process such Records. In the event Customer cannot satisfy the minimum transmission volumes described in Section 4.(g), Customer will submit its Records once per month. All costs related to these submissions will be borne by Customer.

(b) Company's Edits and Screens:

Following receipt of Customer's Records, Company will process Customer's Records through Company's computer edits and screens. Those Records that pass Company's edits and screens will be "Qualifying Records." Those Records that do not pass Company's edits and screens will be "Company Rejected Records." Company Rejected Records will be returned to Customer, and Company will have no other obligation with respect to Company Rejected Records.

(c) Submission to LECs: After passing Company's edits and screens,

Company will transmit Customer's Qualifying Records to the appropriate LECs for billing and collection under the LEC Agreements.

(d) Billing and Collection by LECs: Customer acknowledges that the LEG

will be solely responsible for the billing and collection of the revenue for Customer's Qualifying Records from End Users residing within the applicable billing area of such LEC, subject to the terms, conditions and operating procedures contained in each LEC Agreement, the terms of which are incorporated herein. Company will have no billing or collection obligations other than transmission of the Qualifying Records to the LECs. Customer expressly acknowledges and agrees that Company is not a debt collector as that term is used or defined in the Federal Debt Collection Practices Act or the Texas Debt Collection Act.

(e) Printing of Customer's Name on End User's LEC Telephone Bill:

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Wherever possible, Company will use reasonable efforts to cause each LEC to print Customer's name, along with the associated Qualifying Records, on each End User's telephone bill billed on behalf of Customer. Customer acknowledges that where the LECs do not provide this service,

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Customer's name will not appear on the End User's telephone bill. In the event that an End User requests Customer's address or telephone number, Company will provide such information to requesting parties.

(f) End User Inquiry, Investigation and Credit ("Customer Service"):

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Company's Customer Service procedures are set forth in Exhibit "F," as they may be changed from time to time. Customer agrees that Company has sole and complete discretion to address any inquiries addressed to or through it by End Users, LEGs or regulatory or law enforcement bodies, and Customer agrees to be bound by Company's decisions and to pay any credits, fees and penalties that may result from Customer's Records.

(g) Reporting: Company will provide electronic information and reports

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to Customer via ARRS. The Company may replace or discontinue these services on thirty (30) days' notice to Customer. At this time, Company is not providing written reports to Customer.

SECTION 4. CUSTOMER'S OBLIGATIONS.

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(a) Cooperation by Customer: Customer will cooperate with Company to

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the fullest extent possible to facilitate the provisioning of services described in Section 3 herein. Such cooperation will include, but not be limited to, the following:

(i) Supplying Company with Customer's identification codes, any and all certifications of regulatory authority necessary for Customer to offer its services, and any other information and documents reasonably necessary or helpful to Company;

(ii) Supplying Company with all technical information and assistance with testing that may be reasonably necessary or helpful to Company in providing its services, as determined by Company;

(iii) Supplying Company with requested information on End Users, including LOAs and marketing information within two (2) Business Days of Company's request; and

(iv) Supplying Company with all information requested by Company as set forth in Exhibit "G."

(b) Applicable Approvals and Compliance with Law: Customer will

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obtain and keep current all applicable federal, state and local licenses, Tariffs, certifications and approvals and will fully comply with, and has full responsibility to comply with, all other applicable federal, state and local rules, regulations, laws and Tariffs. No provision in this Agreement shall cause or be construed to cause either party to violate any legal or regulatory requirement. Customer certifies that all Records submitted by Customer will comply with the service provider's certifications and Tariffs in the relevant jurisdictions for that Record and with all applicable state and federal rules, regulations, laws and Coalition Guidelines. Customer agrees that Company will assume no responsibility for such compliance whatsoever and that Company may discontinue billing without notice for any product that it has reason to believe does not comply with applicable rules, regulations and laws or the Coalition Guidelines. Customer acknowledges that certain LEC billing systems contain edits and screens that "block" Customer's Records from being billed to End Users until Company can demonstrate to such LECs that Customer has proper authority for providing its services to the End User. Customer further acknowledges that the

LEG controls the timeframe for such notification to become effective at the LEGs. Therefore, Company will not be responsible for processing Customer's Records for services provided prior to the LECs removing their regulatory edits and screens from their billing systems.

(c) Authorized Charges: Customer will submit Records to Company only  
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for services that have been properly authorized by End Users, as described in Exhibit "G." Customer agrees to cancel services for End Users that request cancellation. Customer certifies that its Records are supported by a valid LOA. Customer agrees to timely provide Company with a valid 39 record (containing authorization information) for each Record submitted.

(d) Validation: Customer will validate all collect, third party  
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and LEC calling card billed Records using the LECs' LIDBs (Line Information Data Bases) or other alternative validation method that complies with applicable rules, regulations and laws and is acceptable to the LECs and Company. If Company determines that Customer has not properly validated such Records, then Company will have the right, but not the duty, to validate such calls at Company's then applicable validation fee or to reject such Records.

(e) Completed Calls: Customer warrants that it is in compliance  
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with the FCC's order to determine call connection using hardware or software "answer detection." Customer further agrees that it will submit to Company only those Records for calls that represent valid, completed calls as defined in Exhibit

(f) Aged Records: Customer will not submit Records to Company that  
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are more than one hundred twenty (120) days old or that exceed the "age of toll" acceptable by the LECs, whichever is less.

(g) Minimum Transmission Volumes:  
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Customer will not submit to Company less than Five Hundred Dollars (\$500) in Company Processing Fees per Library Code in any single transmission.

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(h) Review of Reporting: Customer will be responsible for reviewing all  
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reports and notices generated by ARRS, ARRS user manuals and other information posted to any bulletin board or internet service maintained by Company, transmitted by e-mail, mail or otherwise by Company, and for notifying Company of any inaccuracies within ninety-one (91) days of the date such information is made available to Customer. Failure to notify Company of any inaccuracies within such time period will constitute acceptance thereof. Such reporting will be made once under this Agreement. If Customer requests additional copies of electronic reports, or requests that electronic reports be produced in printed form, Customer agrees to pay Company's then prevailing rates for such additional reports. Additional charges will be incurred if information has to be retrieved from archives. Such fees also will apply to material compelled to be produced in response to first-party or third-party requests, including those of regulatory or law enforcement bodies or judicial rules, orders or subpoenas. Company provides reports, notices, user manuals and individual training to assist Customer. New customers should attend training on Company's systems and reporting methods at Company's headquarters within one hundred eighty (180) days of the Effective Date.

(i) Objectionable Content: Customer agrees, as a condition of  
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Company's performance under this Agreement, that Customer will not submit Records for processing under this Agreement that contain or refer to matters that are harmful, damaging or against public policy, including, but not limited to, products or services that:

- (i) Explicitly or implicitly refer to sexual conduct;
- (ii) profane language;
- (iii) Allude to bigotry, racism, sexism or other forms of discrimination;
- (iv) Are of a violent nature;
- (v) Through advertising, content or delivery, are deceptive, or may take unfair advantage of minors, the elderly or the general public;
- (vi) Are publicly accessible, multi-party connections commonly known as or "chat" services;

- (vii) Are offered by Customer or its agents using box, sweepstakes or contest-type entry forms;
- (viii) Are offered by Customer or negative option sales offers; its agents using
- (ix) Are 800 pay-per-call services;
- (x) Are collect callback services;
- (xi) Are phantom billing (i.e., charging for calls never made or services never provided);
- (xii) Have not been properly authorized by End Users, or that Company determines, in its sole discretion, have had excessive Customer Service or adjustments associated with such services;
- (xiii) Are prohibited by federal, state or local rules, regulations and laws, Tariffs or the Coalition Guidelines;
- (xiv) Individual LECs exclude from the types of services or products for which their policies permit them to bill and collect or that Company believes, in its sole discretion, will jeopardize its LEG Agreements; or
- (xv) Company determines, in its sole discretion, to be deceptive or anti-consumer.

Notwithstanding any other provision of this section, the parties acknowledge that Company has no reasonable means of determining the validity of or authorization for Records sent to Company for processing under this Agreement, and that Company therefore strictly relies upon Customer to forward only valid and authorized Records that can be, if necessary, substantiated in a court of law or to a regulatory body. Customer warrants and represents, when submitting Records to Company, that such Records are true and correct and accurately reflect proper charges legally owed by Customer's End User. Company may, at any time during the Term, cease providing services under this Agreement immediately upon notice to Customer as a result of a violation of this paragraph.

(j) No Other Billing Arrangement:

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 Customer warrants that the Records submitted and to be submitted by Customer to Company pursuant to this Agreement are owned by Customer and not subject to any Claims, are not and will not be subject to any other billing and collection agreement, have not been billed previously by any method and will not be billed by Customer or another party following their submission by Customer to Company. Notwithstanding the above, Customer may bill Company Rejected Records or LEG Rejected Records after the deficiency has been corrected. Customer may not double bill or initiate secondary collection efforts for any records that have billed through the LECs. Customer has made a reasonable investigation and is not aware of any impediment to its entering into this Agreement.

(k) LEC Billing Compliance: Customer will conduct business in

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 accordance with all policies and guidelines of those LECs responsible for billing and collecting Customer's Qualifying Records.

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(l) Company Anti-Cramming Consumer Protection Standards of Practice:

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 Customer will comply with the Company Anti-Cramming Consumer Protection Standards of Practice set forth in Exhibit "G" of this Agreement and the Coalition Guidelines, as they may be revised from time to time.

(m) Payment of Amounts Due Company: Customer will pay to Company any

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 amounts determined by Company to be due Company by Customer under this Agreement or any other agreement between the parties within ten (10) days of the date of invoice by Company. Time is of the essence for such payments. Company may offset any amounts Customer or its affiliates owe Company or its affiliates under this Agreement or any other agreement between the parties without notice. After a period of thirty (30) days from such invoice date, interest on unpaid balances will accrue at the lower of eighteen percent (18%) per annum or the highest legal rate allowed by law. Customer further agrees that timely payment of all amounts due Company will be its sole responsibility.

(n) Attorneys' Fees, Costs and Expenses: Company also will have the

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 right to collect from Customer all attorneys' fees, costs and expenses (including in-house legal services) incurred in collection of any amounts owed by Customer.



The initial term of this Agreement will backing on the Effective Date and will ("Initial Term") unless terminated in accordance with the terms of this Agreement. Following the Initial Term, this Agreement will renew automatically for successive periods of one (1) year ("Renewal Term") unless terminated by written notice of non-renewal from either party delivered at least ninety-one (91) days prior to the scheduled expiration date. The Initial Term and Renewal Terms will constitute the "Term."

SECTION 6. LEC RELATED PAYMENTS, FEES AND ASSESSMENTS.

(a) Payment by LECs: Each LEC makes payments to Company for  
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Qualifying Records purchased from Company in accordance with the LEC Agreement. Company will not be responsible for payment to Customer of any funds collected by a LEC but not distributed to Company.

(b) Amount Distributed by LECs: Customer acknowledges that each  
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LEG distributes to Company the gross amount of Qualifying Records purchased by the LEC and then the LEC or Company deducts the then-applicable Assessments.

(c) Assessments: Customer acknowledges that Company is and will be  
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bound by the terms of the LEC Agreements with respect to each LEG's right to deduct or to reduce its collectible funds for (i) the amount of LEG-related fees and costs associated with processing Customer's Qualifying Records, a recent list of which has either been disclosed or made available to Customer (subject to change without notice to Customer), (ii) any Short-term Dilution, (iii) any Post-billing Adjustments or Credits, (iv) any reserve for anticipated Bad Debt ("Bad Debt Reserve"), (v) any periodic reconciliation between the Bad Debt Reserve and the actual Bad Debt realized by the LECs ("Bad Debt True-up"), and (vi) any other related Assessments. In addition, Customer will be responsible for any data transmission, data transmission correction, or distribution fees incurred in the delivery or receipt of Customer's Records and for any other charges related to billing and collecting Customer's Records. Customer further agrees that payment of all amounts described in this Section 6.(c) will be its sole responsibility and that Company may withhold such amounts from payments to Customer. Should such amounts exceed the amounts due Customer, such amounts will be due and payable by Customer to Company in accordance with Section 4.(m).

(d) Bad Debt Reserve: Company will hold back or cause the LECs to  
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hold back an amount estimated to be sufficient to set off any Bad Debt that may be determined after the date Company makes its payment to Customer for Customer's Qualifying Records billed and collected by the LEG. Initially, any Bad Debt Reserve withheld by the LEC generally will be passed through to Customer on the same percentage or the same amount as Company was assessed by the individual LECs. However, once sufficient data becomes available to Company to enable Company to determine a specific Bad Debt history attributable to Customer, the Bad Debt Reserve may be increased based on Customer's historical Bad Debt Amounts, Customer Service, adjustment levels and other factors. A schedule setting forth the past twelve months' average Bad Debt Reserve by each LEG will either be disclosed or made available to Customer.

(e) Monthly LEC Bad Debt True-up: Usually between six and eighteen  
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(6-18) months after Company submits Customer's Qualifying Records to the LECs for billing and collection, the LECs and Company will determine the actual amount of Bad Debt and true up the difference between this amount and the Bad Debt Holdback Reserve. Company will provide Customer monthly reports on Bad Debt True-ups for these differences. If the amount of these true-ups is positive, Company will remit such amount to Customer on a regularly scheduled payment date after Company receives the true-up amount from the LECs. If the amount of these true-ups is negative, Company will collect such amounts from Customer in accordance with Section 4.(m).

COMPANY CONFIDENTIAL AND PROPRIETARY

(f) Customer Service: Customer understands that each LEC has its  
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own policies regarding assessment of credits, fees and penalties for Customer Service, in addition to those covered by rules, regulations, laws and the Coalition Guidelines, and Customer agrees to be bound by such policies and to pay such credits, fees and penalties in accordance with Section 4.(m).

(g) Allocation Method: Customer acknowledges that Company is unable to  
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fully document or match all Assessments to specific customers and that Company will use an allocation method for such Assessments to determine amounts due under this Agreement when Customer-specific information is not matched or available from the LECs.

SECTION 7. COMPANY RELATED ASSESSMENTS.

(a) Assessments. In addition to the LEC Assessments set forth in

Section 6, Customer agrees to pay to Company, and Company may deduct from any amounts received by the Company from the LECs on behalf of Customer, the following Company Assessments:

(i) A billing and information management service fee ("Company Processing Fee") for each Qualifying Record submitted to the LECs for billing and collection by Company, as specified in Exhibit "C." Records rejected by the LECs, through no fault of Company, and Records that are resubmitted to the LECs, will be charged the Company Processing Fee;

(ii) A Basic Customer Service Fee as specified in Exhibit "C";

(iii) An additional Customer Service fee for each Customer Service that exceeds the allowed percentage, as described in Exhibit "C," of the number of Qualifying Records for each Library Code processed by Company on behalf of Customer each month;

(iv) Any credit amounts refunded to End Users by Company's Customer Service, along with any LEC charges associated with making such refunds to End Users;

(v) A charge, as specified in Exhibit "C," for any submission of Records that contains less than the minimum volume requirements of Company for each Library Code;

(vi) An initial set-up fee, as described in Exhibit "C," for Company's ARRS;

(vii) An Additional Customer Identification Code (subCIC) Fee, as described in Exhibit "C";

(viii) Any credits, fees and penalties that may result from Company or LECs addressing inquiries from various regulatory or law enforcement bodies;

(ix) Any Customer Service functions (other than Customer Service specifically covered by Exhibit "F") or special programming tasks will be handled on a time and cost basis at the then current rate;

(b) Reserves and True-ups for Short-term Dilution. Company will reserve

an amount for Short-term Dilution based upon Customer's prior history pertaining to Short-term Dilution and the regulatory environment. Company may recalculate Customer's historical experience quarterly from its prior three months' results. Until such history can be determined for Customer, Company will reserve one and one-half percent (1.5%) from the amount due to Customer. Company may adjust the reserve and Company then will return excess amounts to Customer or withhold additional amounts as may be required to satisfy these liabilities from the amounts due to Customer.

(c) Collateral. As collateral for all obligations now existing or

hereafter arising from Customer to Company, Customer hereby grants to Company a security interest in all the following property of Customer, whether now owned or hereafter acquired or created, and all proceeds and products thereof:

(i) All amounts paid, and all amounts owing, by each LEC to Company on accounts of Customer's Qualifying Records;

(ii) All accounts owing from an End User to Customer arising from services which give rise to Customer's Qualifying Records;

(iii) All rights of and proceeds due Customer relating to all billing and collection, record processing, operator services and related communications services agreements;

(iv) All amounts deposited by Customer with Company pursuant to paragraph 13.(b) hereof;

(v) All amounts owing and all amounts to be owing from Company to Customer; and

(vi) All of Customer's accounts with End Users, existing now or arising hereafter.

SECTION 8. PAYMENTS TO CUSTOMER.

(a) Determination of Customer: Company will determine Amount Due  
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the estimated amount collected by each LEC for Customer's Qualifying Records and deduct all assigned and allocated Assessments and Taxes of the LECs and Company. If the amount due Customer is not sufficient to satisfy these Assessments, then Customer will pay the difference to Company in accordance with Section 4.(m).

(b) Payment Schedules: Company will advance to Customer the  
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estimated amount determined under paragraph 8.(a) above under the following schedule: Fifty percent (50%) of the amount determined on the first Tuesday after the sixtieth (60~') day from the date Company receives Customer's Records; fifty percent (50%) of the remaining balance of the amount determined on the first Tuesday after the ninetieth (90~") day from the date Company receives Customer's Records; and the remaining balance of the amounts so determined on the first Tuesday after the one hundred twentieth (120~") day from the date Company receives Customer's Records; provided, however, that if Customer has ceased doing business for three (3) Business Days; is the subject of a bankruptcy proceeding; has a receiver, trustee or custodian appointed over substantially all of Customer's assets; fails to make any deposit required by paragraph 13.(b); undergoes a change of control or executive management; submits Records, the dollar value of which does not exceed estimated Assessments; or if Company has reasonable grounds to believe that Assessments may exceed any amount owing or to become owing from Company to Customer, Company may withhold payments to Customer or Company may make payments to Customer in accordance with Section 13.(b). If the amount owing to Customer is determined to be insufficient to satisfy these Assessments, then Customer will pay the difference to Company in accordance with Section 4.(m).

(c) Method of Payment: Company will make all advance payments and  
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final payments due Customer using ACH wire transfer on the Payment Date as described in Section 8.(b) herein.

(d) Accounting for Funds: Funds received from the LECs for  
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Customer's Qualifying Records, less applicable Assessments, will be deposited and held by Company in a common account until such time as the amount determined to be due Customer is paid. Company will maintain an accounting via the ARRS of the balance owing or to be owing by Company to Customer of such amounts deposited and held by Company.

#### SECTION 9. TAXES.

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(a) Calculation of Communications Taxes: Customer acknowledges  
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that it is responsible for compliance with all taxing requirements. Customer will promptly notify Company of any tax or any other tax-like surcharges and the associated rates that apply to Customer's Records in any specific jurisdiction and indicate such on each Record submitted to Company. Either Company or the LEGs will use reasonable efforts to assist Customer in calculating the following taxes that may be applicable to MTS calls: federal excise tax, any state and local sales taxes, gross receipts tax or tax-like charges, foreign intrastate tax, any state or federal universal service taxes or assessments, and any other standard toll communications sales or use taxes (" Taxes"). Any error by Company or the LECs in calculating the applicable Taxes will not relieve Customer or End Users of their responsibility to pay all applicable Taxes.

(b) Billing and Collection of Taxes: Company will use reasonable  
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efforts to cause the LECs to bill End Users for all Taxes when Customer provides taxing information. Customer acknowledges that Company is merely arranging for the billing and collection of Taxes, and in no event will Company be entitled to retain or receive from Customer, or from any End User, any statutory fee or share of Taxes to which the person collecting the same may be entitled under applicable law to the extent permitted by law.

(c) Tax Exempt Status for End Users: Company will have the authority,  
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on behalf of Customer, to authorize the LECs to calculate Taxes and establish the tax exempt status of End Users in the same manner as the LECs calculate Taxes and establish such status for their End Users. If Customer's Records are exempt from Taxes or tax-like charges, Customer will so indicate on each Record submitted to Company.

(d) Filing and Payment of Taxes: Based upon information calculated by

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Company or received from the LECs with respect to Taxes assessed, billed and collected by the LECs, Company will assist Customer in preparing and will file, on behalf of Customer where permitted, with the applicable taxing authorities returns covering Taxes, and will, on behalf of Customer, but only to the extent of amounts otherwise owing from Company to Customer, advance and remit to such taxing authorities all Taxes owed thereto. Customer acknowledges that Company is required by some states to provide an affidavit, executed by Customer, that allows Company to file and remit the applicable taxes on Customer's behalf; therefore, Customer will return the "Authorization to Act as Customer's Agent for Certain Tax Matters" form to Company upon Company's Request. Upon written request, Company will provide to Customer copies of any and all tax returns and other applicable information relating to the payment of Taxes by Company within thirty (30) days after being filed.

(e) Hold Harmless: Customer will indemnify and hold Company and its employees, agents and representatives harmless from and against any Claim

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EVEN IF CAUSED, IN WHOLE OR IN PART, BY COMPANY'S OWN NEGLIGENCE, BREACH OF

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CONTRACT OR OTHER MISCONDUCT (including, without limitation, reasonable

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attorneys' fees and expenses and court costs) relating to or arising out of any Taxes, penalties, interest, additions to tax, computations of tax, surcharges or other amounts that Company may be subject to or incur on behalf of Customer. Company agrees to assist Customer with tax audits related to this Section, and Customer shall give Company the option to participate in such audits. Even if Company or its representatives assist Customer with such audits, Company shall have no liability to Customer relating to any tax assistance provided to Customer under this section.

(f) Billed Taxes: Customer will be responsible for the payment of any additional Taxes or tax-like charges, excluding federal and state income Taxes, assessed against Company based on the revenues collected by Company for Customer's Qualifying Records ("Billed Taxes").

(g) Calculation of Special Taxes: Customer will be responsible for calculating and adding to the charge amount in all Records, prior to submission, those Taxes specifically applicable to Customer's Enhanced Telecommunications Services ("ETS") other than the standard communications taxes described in Section 9.(a) herein ("Special ETS Taxes").

(h) Filing and Payment of Special ETS Taxes: Customer will prepare, file and pay in a timely manner all Special ETS Taxes due and owing to the applicable taxing authorities. At Company's written request, Customer will provide Company with copies of any and all tax returns and other applicable information relating to the calculation, application and payment of Special ETS Taxes.

SECTION 10. PROTECTION OF CONFIDENTIAL INFORMATION.

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As used herein, "Confidential Information" will mean (a) proprietary information, (b) information marked or designated by either party, in good faith, as confidential, (c) information otherwise disclosed in a manner consistent with its confidential nature, (d) the terms and conditions of this Agreement and (e) information of one party submitted to a second party, whether or not in written form and whether or not designated as confidential, that is known or should reasonably be known by the other party as being treated as confidential. The parties acknowledge that, as a result of the provision of services pursuant to this Agreement, Confidential Information that may be confidential or proprietary to each party must or may be disclosed to the other. Each party hereby agrees that it will make no disclosure of Confidential Information provided under this Agreement without the prior written consent of the other party. Additionally, each party will restrict disclosure of such information to its own employees, agents or independent contractors to whom disclosure is reasonably required. Such employees, agents or independent contractors will use reasonable care, but not less care than they use with respect to their own information of like character, to prevent disclosure of any Confidential Information. Nothing contained in this Agreement will be considered as granting or conferring rights by license or otherwise in any Confidential

Information disclosed. Notwithstanding the foregoing, Company may, in its sole discretion, without notice or written consent of Customer, disclose information, including Confidential Information, to any state or federal regulatory or law enforcement agency requesting information.

SECTION 11. EXCUSED PERFORMANCE.

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Except for payment of obligations or compliance with applicable rules, regulations and laws, Customer will be excused from performance, and will have no liability for failure to perform, for any period and to the extent that it is prevented, hindered or delayed from performing any services or other obligations under this Agreement, in whole or in part, as a result of acts, omissions or events beyond the reasonable control of Customer. Company will be excused from performance, and will have no liability for failure to perform, for any period and to the extent that it is prevented, hindered or delayed from performing any services or other obligations under this Agreement, in whole or in part, as a result of acts, omissions or events beyond the reasonable control of Company, including by way of illustration and not limitation, acts or omissions of Customer or the LECs, third party nonperformance, failure or malfunction of computer or communications hardware, equipment or software, breach or other nonperformance by Company's vendors and suppliers, strikes or labor disputes, riots, war, fire, acts of God or governmental laws and regulations.

SECTION 12. LIMITATION OF LIABILITY AND INDEMNITY.

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(a) Company makes no warranties or representations regarding its services except as specifically stated in this Section 12.(a). Company will use due care in processing all work submitted to it by Customer and agrees that it will, at its expense, correct any errors that are solely due to errors by Company's employees or agents ("Error Correction"). Error Correction will be limited to reprocessing Customer's Records. Company will not be responsible in any manner for failures of, or errors in, proprietary systems and programs, nor will Company be liable for errors or failures of Customer's software or operational systems.

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THIS WARRANTY IS EXCLUSIVE AND IS IN LIEU OF ALL OTHER WARRANTIES. AND CUSTOMER  
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HEREBY WAIVES ALL OTHER EXPRESSED. IMPLIED OR STATUTORY, INCLUDING, BUT NOT  
-----  
LIMITED TO, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.  
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Should there be any failure in performance or errors or omissions by Company with respect to the Qualifying Records being processed and being submitted to the LECs for billing and collection, Company's liability will be limited to using reasonable efforts to correct such failure. In no event will Company be liable to Customer or ally third parties (including Customer's End Users) for any Claim, even if Company has been advised of the possibility of such Claim.

(b) Due to the nature of the services being performed by Company, Customer agrees that in no event will Company be liable for any Claim caused by Company's performance or failure to perform hereunder that is not reported by Customer in writing to Company within ninety-one (91) days of such performance or failure to perform.

(c) Customer will indemnify and save harmless Company from and against any Claim asserted against Company by third parties arising from or related to (customer's provision of the services provided under this Agreement. Should Customer act as an agent for a third party and forward billing to Company or should Customer purchase billing from a third party and forward such billing to Company, Customer shall remain solely responsible to and for such third parties. Customer agrees to protect, indemnify and hold harmless Company for any and all claims by third parties regarding such third parties' billing forwarded to Company by Customer. Customer also will indemnify and save harmless Company from and against any Claim asserted against Company by third parties and any assessments or fined levied against Company by any state or federal agency or law enforcement officer, plus any attorneys' fees and expenses (including in-house legal services), arising from or related to any charges submitted by Customer, including without limitation, for unauthorized charges or false or inaccurate information provided by Customer to Company, or any failure of Customer to comply with legal or regulatory requirements, the requirements set forth in Exhibit "G" of this Agreement or tie Coalition Guidelines.  
THIS INDEMNITY IS SPECIFICALLY INTENDED TO OPERATE AND BE APPLICABLE EVEN IF IT

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IS ALLEGED OR PROVED THAT ALL OR SOME OF THE DAMAGES BEING SOUGHT WERE CAUSED AS  
-----  
A WHOLE OR IN PART BY ANY ACT, OMISSION, NEGLIGENCE, GROSS NEGLIGENCE, BREACH OF  
-----  
CONTRACT, INTENTIONAL CONDUCT, VIOLATION OF STATUTE OR COMMON LAW, BREACH OF  
-----  
WARRANTY, PRODUCT DEFECT, STRICT LIABILITY OR ANY OTHER CONDUCT WHATSOEVER OF  
-----  
THE COMPANY.  
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(d) Notwithstanding anything to the contrary in this Agreement, the liability of Company in any and all categories and for any and all Claims arising out of this Agreement or out of any act or omission relating thereto will, in the aggregate, not exceed one (1) month's average of Company's Processing Fees charged to Customer over the twelve (12) months preceding the date on which the damage or injury is alleged to have occurred; provided, however, that if this Agreement has not been in effect for twelve (12) months preceding such date, then over such fewer number of preceding months that this Agreement has been in effect. WITHOUT IN ANY WAY LIMITING THE APPLICATION OF  
-----  
THIS SECTION. THE RIGHT TO RECOVER DAMAGES UNDER THIS PARAGRAPH CONSTITUTES  
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CUSTOMER'S EXCLUSIVE ALTERNATIVE REMEDY IN THE EVENT THAT THE ERROR CORRECTION  
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DESCRIBED ABOVE OR ANY OTHER CONTRACTUAL REMEDY FAILS OF ITS ESSENTIAL PURPOSE.  
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(e) Under no circumstance will Company be liable to Customer for special, incidental, indirect, consequential or punitive, exemplary or additional damages, including, but not limited to, any lost profits or revenues.

(f) The limitations on liability set forth herein shall not apply to personal injury, bodily injury or death or loss of or damage to tangible property.

(g) Waiver of Consumer Rights:  
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Customer waives its rights under the Texas Deceptive Trade Practices - Consumer Protection Act, Section 17.41 et seq., Business & Commerce Code, a law that gives consumers special rights and protections. After consultation with an attorney of its own selection, Customer voluntarily consents to this waiver.

### SECTION 13. EXPIRATION OR TERMINATION.

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(a) Payment Upon Expiration or Termination: Upon the expiration or  
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termination of this Agreement for any reason, Customer agrees to satisfy, when or before due, its obligations under this Agreement.

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(b) Deposit for Charges: Customer acknowledges that certain  
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Assessments and any other related charges are not determined by the LECs or Company for a period of up to eighteen (18) months after the final processing of Customer's Records. Customer further acknowledges that payment of these amounts to Company will be its sole responsibility. At the expiration or termination of this Agreement for any reason, Customer will deposit with Company an amount equal to two and one-half percent (2.5%) of the amount of Customer's gross billings for the prior twelve (12) month period, or such other amount necessary to satisfy such Assessments as determined by Company, in its sole discretion, based on Customer's prior history and the regulatory environment. Such deposited amount will be used by Company to pay Assessments. Each quarter, Company will re-examine the amount of funds deposited and make such adjustments as Company estimates may be necessary to satisfy the aforementioned assessments. Company will provide Customer with reports reflecting Assessments attributable or allocated to Customer on the same and consistent method as Company determines such Assessments for all of its customers. Eighteen (18) months after the Term, Company will return all unused amounts to Customer.

(c) Remaining Liability: Notwithstanding the foregoing, the  
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deposit of such amounts does not relieve or waive Customer's responsibility and obligation to pay its obligations to Company, including, without limitation, any and all Assessments associated with billing and collecting its Records. In the

event such Assessments exceed the amount of the deposit described in Section 13.(b), Customer will remit to Company such additional amounts as are required to satisfy Customer's obligations under this Agreement in accordance with Section 4.(m).

(d) Savings Clause: Except as otherwise provided herein, expiration or  
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termination of this Agreement will terminate all further rights and obligations of the parties hereunder, provided that:

(i) Neither party will be relieved of its respective obligations to pay any sums of money due or to become due or payable or accrued under this Agreement;

(ii) If such expiration or termination is a result of a default hereunder or a breach hereof by a party, the other party will be entitled to pursue any and all rights and remedies it has to redress such default or breach in law or equity; and

(iii) The provisions of this Agreement and each party's obligations hereunder which by their nature or context are required or intended to survive, including but not limited to Sections 4, 6-10, and 12-29 hereof, will survive and remain in full force and effect after the expiration or termination of this Agreement.

(e) Early Termination of Extended Term Agreement: If Customer elects a  
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multi-year Initial Term and Customer terminates or breaches this Agreement before the expiration of the full Initial Term, Customer will pay Company for all Records processed during the Term, at the one-year Company Processing Fee rates set forth in Exhibit "C," plus ten percent (10%), in accordance with Section 4.(m).

#### SECTION 14. DEFAULT AND REMEDIES.

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(a) Default: Either party will be in default hereunder if it:  
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(i) Fails to make any payment specified hereunder when or before due and such failure continues for five (5) Business Days after the effective date of written notice;

(ii) Breaches any other covenant or undertaking contained in this Agreement and fails to remedy such breach within thirty (30) -days after written notice thereof -from the non-defaulting party, unless this Agreement specifically provides otherwise;

(iii) Is in default of any of the provisions of Addendum A or B and such failure continues for five (5) Business Days after the effective date of written notice;

(iv) Submits Records to Company for services that have not been properly authorized by End Users;

(v) Submits Records to Company that Company believes, in its sole discretion, generate excessive Customer Service;

(vi) Files, or there is filed against it, any voluntary or involuntary proceeding under the Bankruptcy Code, insolvency laws or any laws relating to relief of debtors, adjustment of indebtedness, benefit of reorganizations, compositions or extensions, makes an assignment for the creditors, dissolves, ceases to conduct business for three (3) Business Days, declares that it is unable to pay its debts as they mature or admits in writing its inability to pay its debts as they mature or if a receiver, trustee or custodian is appointed over, or an execution, attachment or levy is made upon, all or any material part of the property of such party;

(vii) Attempts to assign its rights and obligations under this Agreement without the prior written consent of Company; or

(viii) Fails to comply with any of the obligations set forth in Exhibit "0" to this Agreement

(b) Remedies: In the event of any default hereunder, and in addition to  
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any other remedies it may have under this Agreement, the non-defaulting party will have the following rights and remedies:

(i) To terminate or cancel this Agreement, subject to the provisions of Section 13.(d), by giving written notice thereof to the defaulting party;

(ii) To declare all amounts due under this Agreement from the defaulting party to the non-defaulting party to be immediately due and

payable, including attorneys' fees, costs and expenses (including in-house legal services) incurred or that may be incurred in the collection of such amounts;

(iii) Company may withhold, set off and retain, until all obligations of Customer to Company have been satisfied in full, any and all amounts that may otherwise be due and payable to Customer or any affiliates of Customer under this Agreement or any other contract with Company and apply Such amounts to any balance due or to become due from Customer to Company;

(iv) Company may suspend its performance of this Agreement immediately upon notice to Customer if Customer is in breach or default of this or any other agreement between the parties;

(v) All rights and remedies allowed by the applicable Uniform Commercial Code except as limited by Section 12 above;

(vi) All other rights and remedies allowed by this Agreement and under applicable law except as limited by Section 12 above; and

(vii) All rights and remedies will be cumulative and can be exercised separately or concurrently.

#### SECTION 15. ASSIGNMENT.

(a) Neither party will assign any right or obligation under this Agreement without the other party's written consent. Any attempted assignment will be void.

(b) Assignment to Affiliates:

Notwithstanding Section 15.(a), Company may assign this Agreement, in whole or in part, to:

- i) A parent corporation;
- ii) Any company into which Company may merge or consolidate or that acquires substantially all of its assets or stock; or
- iii) A wholly owned affiliate or the parent corporation that is of a financial standing equal to or greater than that of the assignor.

Any assignment under this subsection (b) shall not require the consent of Customer, but Company shall provide written notice to the Customer within thirty (30) days of such assignment.

(c) Generally: All rights, obligations, duties and interests of any

party under this Agreement will inure to the benefit of and be binding on all successors in interest and assigns of such party and will survive any acquisition, merger, reorganization or other business combination to which it is a party.

#### SECTION 16. NOTICES AND DEMANDS.

Except as otherwise provided in this Agreement, all notices, demands and requests given by any party to the other party will be in writing and be deemed to have been duly given on the date: (i) delivered in person, and for which a receipt for such delivery will be obtained; (ii) of the return receipt for those sent postage prepaid in the United States mail via Certified Mail, Return Receipt Requested, or three (3) Business Days after being mailed by regular mail; (iii) received from a national overnight delivery service; (iv) sent by facsimile transmission to the recipient's facsimile machine, provided that the receiving machine delivers confirmation to the sender and receipt is verified by telephone, with an extra copy immediately following by first-class mail; or (v) notice is posted and made available to Customer through electronic media as described in Section 3.(g) or to Customer's designated e-mail address. Such notice shall constitute written notice. Customer assumes the duty to check such media on a regular basis. The following addresses shall be used for the respective forms of notice and maybe changed by giving notice.

If to Company:

Enhanced Services Billing, Inc.  
Attention: President  
7411 John Smith Drive, Suite 200  
San Antonio, Texas 78229-4898  
Telephone: (210) 949-7000  
Fax: (210) 949-7100

With a copy to: General Counsel, by certified mail to the above address.

If to Customer:



Telco Billing, Inc.

Attention: William O'Neal, President  
4840 E. Jasmine St. #105  
Mesa, AZ 85205

Telephone: (480) 654-9646 ext. 234  
Fax: (602) 860-0800

E-mail Address: bill.oneal@yp.net

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SECTION 17. NO THIRD-PARTY BENEFICIARIES.

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This Agreement will not provide any person or entity not a party to this Agreement with any remedy, claim, liability, reimbursement, cause of action or other right.

SECTION 18. EMPLOYEES.

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Customer acknowledges that Company's success in its industry is largely dependent on the performance of its personnel and that Company expends substantial resources in connection with employment and training. Accordingly, Customer will not hire or retain, either as an employee or contractor, any person who was a Restricted Employee of Company at any time during the twelve (12) month period preceding such hiring or retention without the advance written consent of Company. "Restricted Employee" of Company is any Employee or third party contractor of Company that has signed a non-competition or restrictive covenant, except a member of the clerical staff. This undertaking by both parties will be deemed an essential element of this Agreement and will survive its termination.

SECTION 19. RELATIONSHIP OF THE PARTIES.

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In furnishing services to Customer, Company is acting only as an independent contractor. Except as expressly set forth in this Agreement, Company does not undertake by this Agreement or otherwise to perform any obligation of Customer, whether regulatory or contractual, or to assume any responsibility for Customer's business or operations. This Agreement will not be deemed to create a partnership, joint venture, agency or fiduciary relationship between the parties.

SECTION 20. GOVERNING LAW AND VENUE.

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This Agreement will be governed and construed in accordance with the laws of the State of Texas, without regard to the choice of law rules of Texas. Except for the arbitration proceedings provided for herein, exclusive jurisdiction and venue over any and all matters of dispute arising under or by virtue of this Agreement or between the parties will rest in the state or federal courts located in Bexar County, Texas.

SECTION 21. ENTIRE AGREEMENT.

-----  
This Agreement, including all exhibits and attachments, each of which is incorporated herein, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous representations, understandings or agreements, whether oral or written, relating to the subject matter hereof.

SECTION 22 AMENDMENTS: WAIVERS.

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This Agreement (or any part thereof, including its incorporated exhibits) may be modified or additional provisions may be added by written agreement signed by or on behalf of the parties by an authorized representative, unless otherwise provided herein. No modification, amendment or waiver of any provision of this Agreement, including its incorporated exhibits, and no consent to any default under this Agreement, will be effective unless the same will be in writing and signed by or on behalf of the party against whom such modification, amendment, waiver or consent is claimed.

SECTION 23. SEVERABILITY.

-----  
The illegality or unenforceability for any reason of any provision of this Agreement, or any document or instrument required or referred to hereunder, shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any document or instrument required or referred to hereunder.

SECTION 24. EXECUTION IN COUNTERPARTS.

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This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but such counterparts will together constitute but one and the same document. Facsimile copies of this Agreement are given the dignity of original documents.

SECTION 25. HEADINGS.

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The headings in this Agreement are for convenience only and will not be construed to define or limit any of the terms herein or affect the meaning or interpretation of this Agreement.

SECTION 26. DISPUTE RESOLUTION.

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This Section 26 governs all disputes, disagreements, claims or controversies between Customer and Company, including, but not limited to, those arising out of or related to this Agreement, tort claims and claims of violation of statutes ("Disputed Matters"). All Disputed Matters will be submitted to the following dispute resolution process:

- (a) Internal Escalation. First, the Disputed Matter will be referred

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jointly to senior executives of each of the parties. If such executives do not agree upon a resolution within forty-five (45) Business Days after referral of the matter to them, the complaining party will proceed to mediation as set forth below.

- (b) Mediation. The complaining party will, upon written notice and

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within forty-five (45) Business Days after the conclusion of the internal escalation procedure, elect to have the Disputed Matter referred to non-binding mediation before a single impartial mediator to be jointly agreed upon by the parties. The mediation hearing will be attended by executives of both parties possessing authority to resolve the Disputed Matter and will be conducted no more than sixty (60) Business Days after a party serves a written notice of an intention to mediate. Customer and Company will share equally all costs of such mediation. If the Disputed Matter cannot be resolved at mediation, the complaining party will proceed to Arbitration.

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- (c) Arbitration. In the event that the Disputed Matter has not been

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resolved through mediation, the complaining party will submit the Disputed Matter to binding arbitration before the American Arbitration Association (the "AAA") pursuant to its Commercial Arbitration Rules. The arbitrator(s) will have the authority to render any award or remedy allowed by law. If the amount in controversy exceeds \$150,000.00, exclusive of attorneys' fees and expenses, interest and costs, the Disputed Matter will be decided by a panel of three (3) neutral arbitrators; otherwise, all disputes will be decided by a single neutral arbitrator. Each arbitrator will be selected from the AAA's Panel of Commercial Arbitrators, and the arbitration hearing will be conducted in San Antonio, Texas. The cost of the arbitration proceeding will be shared equally by the parties, but the prevailing party in any arbitration proceeding will be entitled to recover its reasonable and necessary attorneys' fees, costs and expenses (including in-house legal services) incurred in connection with the arbitration. Provided that Customer continues to timely pay Company for services rendered under this Agreement and there has been no default by Customer, Company may continue to provide services during the presidency of any Disputed Matter.

SECTION 27. ATTORNEYS' FEES.

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In the event Company retains the services of an attorney (including in-house

legal services) to enforce this Agreement or any other obligation of Customer to Company, or to collect or attempt to collect any Record or any accounts receivable purchased by Company from Customer, Customer shall pay to Company attorneys' fee (including in-house legal services), accountants' fees, expert witness fees and other costs and expenses incurred by Company even though no suit, action or proceeding is filed. If such a suit, action or proceeding is filed, Customer also shall pay to Company attorneys' fees, accountants' fees, expert witness fees and other costs and expenses incurred by Company in enforcing, in any way, any and all of Company's rights, in the trial courts, appellate courts and bankruptcy courts, including, but not limited to, the cost of successfully defending any claims or causes of action asserted by Customer against Company. Customer further agrees to pay to Company all of the foregoing fees, expenses and attorneys' fees incurred by Company in any bankruptcy proceeding and in appellate court relating thereto, including, without limitation, such attorneys' fees and expenses incurred in regard to lifting or modifying the automatic stay, determining adequate protection, using of cash collateral, appointing a trustee, converting or dismissing the case, and relating to any disclosure statement and plan of reorganization.

SECTION 28. INTELLECTUAL PROPERTY.

-----  
Except as otherwise expressly provided herein, nothing contained in this Agreement shall be construed as conferring by implication, estoppel or otherwise any license or right under any patent, trademark, trade name, copyright or other intellectual property right of either party.

SECTION 29. YEAR 2000 COMPLIANCE.

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Company filed a Year 2000 Certification Request with ITAA (Information Technology Association of America) in January 1999. Company received Certification from ITAA in March 1999. Company warrants that its service obligations for billing and other aspects of its business relationship with Customer will not be adversely affected by Year 2000 defects in Company's internal systems or processes. However, should such disruption occur, Company agrees to use its best efforts to promptly correct any such disruption. Notwithstanding the above, Company will not be liable for any indirect or consequential damages, including any lost profits, loss of business income or revenues resulting from any Year 2000 defects in the Company's internal systems or processes.

The above Year 2000 disclosure constitutes a "Year 2000 Readiness Disclosure" as defined in the Year 2000 Information and Readiness Disclosure Act (the "Act"), which was signed into law on October 19, 1998. The Act provides added protection from liability for certain public and private statements concerning a company's Year 2000 readiness.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

Enhanced Services Billing, Inc.:

By: /s/ Jacqueline K. Mitchell

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Jacqueline K. Mitchell  
President and Chief Operating Officer

CUSTOMER:

Telco Billing, Inc.

By: /s/ William O'Neal

-----  
Name: William O'Neal

Title: President  
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Date: 11/11/99  
-----

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EXHIBIT "A"  
DEFINITIONS

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The following definitions are intended to supplement and define specific terms used in the Agreement.

39 Record: A record populated by Customer identifying the bill name, address and  
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any additional information on the End User who authorized Customer's products or services.

ARRS: Company's Accounts Receivable Reconciliation System presently known as  
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FASTRACK and Paradigm or BC WebTrack or any successor, as well as other information posted or delivered through other electronic media.

Assessments: LEC or Company fees, charges, chargebacks, credits, reserves,  
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offsets, adjustments and allocations, including, but not limited to such charges and chargebacks for Short-term Dilution, Bad Debt, LEC Processing Fees, Company Processing Fees, Post-billing Adjustments or Credits, Bad Debt Reserve, true-ups and Customer Service Fees. Assessments includes, without limitation, the charges covered in Sections 6 and 7.

Bad Debt: A billed EMI Record that will not be collected from the party to whom  
-----  
it was billed.

BOC: Bell Operating Company.  
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Business Day: A day other than Saturday and Sunday or a legal holiday on which  
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commercial banks are open in the State of Texas.

Coalition Guidelines: The Anti-Cramming Consumer Protection Standards of  
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Practice of the Coalition to Ensure Responsible Billing ("CERB"), the terms of which have either been disclosed or made available to Customer, the current and any future terms of which are incorporated herein.

Claim: Any claim, dispute, demand, investigation, suit, loss, liability, damage,  
-----  
attorneys' fees and expenses, cot, correction or expense, whether ordinary, special, consequential or otherwise, that may be asserted against an' party to this Agreement. Claim includes all direct damages, including without limitation contract damages and damages for injuries to persons or property, whether arising from a breach of this Agreement, breach of warranty, negligence, strict liability or any other tort with respect to the services provided by Company hereunder.

Customer Service: Basic End User inquiry, investigation and credit or  
-----  
adjustment services.

EMI Billing Record: Computer readable record containing the billing data for  
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Records, in the industry standard EMI (exchange message interface) format set forth in Exhibit "E," for which each LEC has the capability of processing through its billing and collection systems. A Customer Service credit record submitted to a LEC by Company shall be included within this definition.

End User: A natural person, partnership, corporation, business trust, joint  
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stock company, trust, unincorporated association, joint venture, governmental agency or instrumentality, or other entity that purchases, acquires, subscribes to or uses communications products or services.

FCC: The Federal Communications Commission.  
- - - -

FTC: The Federal Trade Commission.  
- - - -

Foreign Intrastate Taxes: Those applicable taxes for Operator Services and  
- - - - -

Travel Card calls originating and terminating in the same state but billed in another state.

Independent Telephone Companies: Those LECs that are not BOCs.  
- - - - -

Interexchange Carrier (IXC): A telephone company, other than a LEC, that can  
- - - - -

provide intraLATA (where applicable), interLATA, interstate and international telecommunications service.

LEC Agreement: Company's agreement with an individual LEC as well as any  
- - - - -

additional terms, conditions and operating guidelines and procedures agreed to by the parties or imposed by the LEC, the current and future terms of which are incorporated herein.

Library Code: An accounting identification code assigned exclusively to Customer  
- - - - -

by Company that Customer encodes within each Record submitted to Company and that is used to account for Customer's funds and Assessments.

LOA: Letter of Authorization or other valid form of authorization from the End  
- - - -

User meeting the requirements of applicable rules, regulations and laws

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EXHIBIT "A"  
DEFINITIONS

- - - - -  
and the specifications set forth in Exhibit "G" for non-10XXX direct-dialed products and services.

LEC or Local Exchange Carrier: Any incumbent (ILEC), competitive (CLEC) or  
- - - - -

alternate local exchange carrier providing local access telephone services with whom Company has entered into a billing and collection agreement. A current list of LECs is attached as Exhibit "Bi" Customer acknowledges that the list of LECs may charge from time to time without notice. A LEC also may be referred to as a Billing Telephone Company

Post-billing Adjustment or Credit: Credit or rate adjustment applied to an End  
- - - - -

User's account by the LEC or by Company.

Qualifying EMI Billing Record: Enhanced Telecommunications Services that  
- - - - -

are not of objectionable content as set forth in the Customer's Obligations section of this Agreement and that pass Company's edits and data transmission corrections. The parties agree to amend or supplement these service descriptions from time to time to conform to changes in business circumstances or regulatory requirements. Company's agreement to bill new or additional ETS will be at its election.

1. "900 Services" is any information service offered by Customer  
- - - - -

to an End User using the 900-service access code (SAC) or dialing pattern.

2. "Audiotex Gateway" is a communications system in which an End  
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User can selectively access remote information services. End Users can  
interact with the system to select desired services and specific  
information sources. Ordinary push-button telephone instruments are the  
devices typically used to interface with the Public Switched Telephone  
Network (PSTN) and Information Providers' services.

3. "Electronic Messaging/Email" is the process of sending and  
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receiving "objects" electronically. An object consists of a data structure  
and well-defined procedures that can operate on the data. Types of objects  
that can be exchanged include text messages, business documents, files,  
computer application software and still-frame pictures or images.

4. "Facsimile (FAX) Service" is a system used for transmitting  
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images (e.g., printed copy, pictures, maps, diagrams, etc.). The images are  
scanned at the transmitter (i.e., originating) end and reconstructed at the  
receiving station. Such system usually employs the PSTN to transmit between  
the originating and terminating locations.

5. "Information Service" is any service whereby audio, video,  
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computer readable or hard copy information is requested or provided using  
the PSTN.

6. "Internet Service" is any service which provides End Users a  
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means to access and utilize the networks commonly known as the "Internet,"  
including, but not limited to, all related services and enhancements such  
as electronic mail, UseNet news, and FTP file transfer capabilities.

7. "Paging" also referred to as "radio paging," "pocket paging,"  
-----  
or "beeper service" is a one-way radio transmission service in which a  
portable radio receiver capable of recognizing a radio signal specifically  
addressed to it is used to locate or alert a subscriber by a variety of  
methods including: audible tones, vibration, visual display, or audible  
voice message.

8. "Pay-Per-Call Service" is a service whereby an End User is  
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charged a "per-call" or "per-time" interval fee that is greater than or in  
addition to the normal transmission cost of the PSTN call for the delivery  
of an ETS.

9. "Special Purpose MTS" shall mean when the primary purpose for  
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placing the toll call using the PSTN at the tariffed rate is to obtain  
advertised or marketed information and not the transmission or call itself

10. "Telegram" is a telegraphic dispatch transmitted or received  
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using an apparatus, system, or process for communication at a distance by  
coded signals and shall not include any goods or services associated with  
or delivered, with such telegrams.

11. "Video Conferencing" is the process of connecting two or more  
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stations simultaneously in such a manner that each station user is capable  
of viewing users at the other remote stations in addition to carrying on  
audio or voice communications.

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EXHIBIT "A"

DEFINITIONS

-----  
12. "Voice Messaging / Voice Mail" is the process of recording,  
-----  
translating and delivering voice messages carried over the PSTN to an End  
User and it provides the ability for an End User to access an optional  
Voice message recording facility and leave a message for another End User.

13. "Voice Store and Forward" is the process of recording and  
-----  
storing a message carried over the PSTN that will be delivered to a  
specific terminal point on a predetermined schedule.

RBOCs: Regional Bell Operating Companies.

Short-term Dilution: Those EMI Billing Records that pass Company's edits and screens and are submitted to the LECs for billing and collection but subsequently cannot be posted to an End User's account by the LECs or re posted to the End User's account and then adjusted by the LECs.

Tariffs: The rates, terms and conditions for providing intraLATA, interLATA (intrastate), interstate and international communications services as authorized and filed with the appropriate regulators, including the FCC or state and local regulatory authorities.

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EXHIBIT "B"

ESBI BILLING TELEPHONE COMPANIES

The following companies are current Billing Telephone Companies for Company:

- Alltel
- Ameritech
- Bell Atlantic North
- Bell Atlantic South
- Bell South
- Century Telephone
- Chillicothe Telephone
- Cincinnati Bell Telephone
- Citizens Communications
- Cox Communications
- GTE Central
- GTE North
- GTE South
- GTE West
- Illuminet
- NECA
- Nevada Bell
- Nm
- Pacific Bell
- Southern New England Telephone
- Southwestern Bell Telephone Company
- Sprint Mid-Atlantic
- Sprint North Central
- Sprint Southern
- Sprint Western
- US WEST Communications, Inc.

The NPA-NXX list (ONNET File) of BTCs will be furnished to Customer periodically via ARES. Customer acknowledges that Company has made a reasonable effort to list the current BTCs and that the list may change from time to time without notice to Customer.

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EXHIBIT "C"

ESBI PRICING

(1) Company Processing Fees (rate per Record):

<TABLE>

<CAPTION>

*Record Dollar Average	Monthly Record Volumes	Per EMI Billing Record Per Month
\$0-\$10.00	0 - 5,000	LEC Charges + \$.180

NEXT -	50,000	LEC Charges +	\$.160
NEXT -	100,000	LEC Charges +	\$.140
NEXT -	300,000	LEC Charges +	\$.120
NEXT -	500,000	LEC Charges +	\$.110
NEXT -	1,000,000	LEC Charges +	\$.100
NEXT -	2,000,000	LEC Charges +	\$.090
NEXT -	4,000,000	LEC Charges +	\$.080

\$10.01 -	\$17.50	LEC Charges +	2.0%	of Billed Revenue
\$17.51 -	\$25.00	LEC Charges +	2.5%	of Billed Revenue
\$25.01 -	\$37.50	LEC Charges +	3.0%	of Billed Revenue
\$37.51 -	\$50.00	LEC Charges +	3.5%	of Billed Revenue
Over -	\$50.00	LEC Charges +	4.0%	of Billed Revenue

<FN>

\*Pricing will be calculated by the average dollar amount per record based on all call records submitted during a calendar month.

</TABLE>

Customer will receive a twenty percent (20%) discount on the monthly Company Processing Fee If Customer elects to sign a three (3) year agreement.

Company Processing Fees are charged in addition to LEC Processing Fees and Assessments and LEC related payments, fees and Assessments.

(2) Customer Service:

Company will perform Customer Service in those areas where the LEC Agreements provide for such service in accordance with Company's procedures and guidelines, which are subject to change from time to time without notice. Customer will be charged and agrees to pay a monthly cost of five cents (\$.05) per Qualified Record. submitted to the LECs for billing and collection during each month ("Basic Customer Service Fee"). In the event of a call transfer for issues other than billing issues, Customer will be charged \$0.18 per minute. If the transfer is via Customer's 800 number, Company will charge \$0.09 per minute plus the cost of business lines needed to transfer calls to Customer.

(3) Excessive Customer Service:

In addition to the Basic Customer Service Fee, Customer agrees to pay an additional fee of Four Dollars (\$4.00) for each Customer Service that exceeds one percent (1%) of the number of Records processed by Company on behalf of Customer for each Library Code in each calendar month.

(4) ARRS:

Customer will pay an initial set-up fee for Company's ARRS. The charge is One Thousand Five Hundred Dollars (\$1,500) for the first Library Code and Five Hundred Dollars (\$500) for each additional Library Code. These set-up fees will not be charged during Renewal Term unless additional Library Codes are added. There is currently no charge for weekly accounts receivable status updates when downloaded from ARRS.

(5) Minimum Company Processing Fee per Transmission:

Because of fixed expenses associated with processing small transmissions, Company will impose a Minimum Company Processing Fee per transmission per Library Code of \$500. Company will require Customer to ship a

COMPANY CONFIDENTIAL AND PROPRIETARY

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EXHIBIT "C"

ESBI PRICING

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minimum of \$1,000 in Company Processing Fees each calendar month after the third (3rd) calendar month (the ramp-up period). If Customer fails to submit sufficient EMI Billing Records to meet this requirement, Customer will be charged the \$1,000 monthly minimum Company Processing Fee for that month. If Customer elects the three (3) year agreement Company will require Customer to ship a minimum of \$25,000 in Company Processing Fees each calendar month after the third (3rd) calendar month (the ramp-up period). If Customer fails to submit sufficient EMI Billing Records to meet this requirement, Customer will be charged the \$25,000 monthly minimum Company



Processing Fee for that month.

- (6) Additional subCIC Fee:  
Customer shall receive one subCIC at no charge. Due to LEC set-up charges, however, Customer will be charged \$1500 for each additional subCIC requested by Customer.
- (7) LEC Specific Billing Text Phrases:  
For each text phrase used by Customer to identify its products and services to be billed by the LECs, the Customer shall pay Company a set up fee of \$2,000.00. This set-up fee will not be charged for the first three requested text phrases or text phrases that represent fees required by laws, rules or regulations (i.e. Universal Service Fund).
- (8) Customer Service and Special Programming Task Fees:  
Customer will pay a time and expense rate for any Customer Service not provided herein and for any special programming tasks or requests for additional information. The current hourly rate is \$125.

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EXHIBIT 9

ESBI CALL COMPLETION CRITERIA

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A call is completed when some type of direct communication or hardware or software answer detection has been established between the originating person and the terminating location. Verification must be made that the receiving party or third party agrees to accept the charges for collect and third number billed calls. If automated technologies are used, the receiving party must positively acknowledge the acceptance of the call. In the case of person-to-person calls, the operator must verify that the receiving party is the person whom the originating party requested. For other direct dialed, automated calling card or operator assisted calls, the call will be considered completed when the connection is verified by means of hardware or software detection as required by federal, state and local regulatory authorities.

In those cases where Customer cannot determine the exact time the terminating person has gone "off hook" (beginning of communication with the originating party), and federal, state or local regulatory authorities do not require hardware or software answer detection, a call will be considered to be connected if the originating and receiving parties hold the connection for more than thirty-six (36) seconds.

Customer agrees that the following maximum per-call charges apply:

Domestic 0+ and 1+	\$124.99
International 0+ and 1+	\$249.99

Call for four hundred eighty (480) minutes (8 hours) or more are not considered valid, completed calls and will not be billed regardless of the amount of charges.

Call to operators, customer announcements, busy signals or ringing will not be considered completed calls and will not be billed.

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EXHIBIT "E"

ESBI EXCHANGE MESSAGE INTERFACE (EMI) RECORDS

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Subject to the terms of this Agreement, Company currently processes the following EMI billing record formats for LECs that are capable of billing and collecting for services using the following EMI billing record formats:

RECORD ID	
010101	Domestic Message Telephone Service (MTS) Charge
010116	Domestic Information Provider Service

Charge  
010118 Domestic Specialized Service/Service  
Provider Charge  
010132 Domestic Directory Assistance Charge  
010133 Domestic Mobile Channel Usage  
Charge  
010201 North American Originated and Billable International Charge Overseas  
010501 Originated and North American Terminated Message  
Telephone Charge  
010701 Overseas Originated and Terminated  
Message Telephone Service Charge  
391001 Customer Name and Address  
Information  
415001 Non-detailed Miscellaneous Credit  
425001 Miscellaneous Recurring and Non-recurring Service Charge  
425016 Miscellaneous Charge Information  
Provider Service Charge

Company reserves the right to discontinue any of these record formats at any time without notice to Customer.

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EXHIBIT "F"

ESBI PROCEDURES FOR CUSTOMER SERVICE

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In addition to applicable rules, regulations, laws and Company's Customer Service procedures and operating policies, the parties agree to the following Customer Service procedures:

I. For those LECs that permit Company to handle Customer Service, Company's toll-free number will appear on the End User's LEC telephone bill as a Customer Service inquiry number.

II. At the time of the initial call from an End User, Company's Customer Service representative will access the End User's account. Once the account has been accessed, the calls or charges in dispute will be determined. If the End User is disputing any of the following, including but not limited to:

- (A) Denying All Knowledge (DAK) of calls or service;
- (B) Rates; or
- (C) Charges for unanswered calls;

the an automated internal credit form will be prepared that customarily contains the following information:

- (D) Bill name and number;
- (E) Reason and dollar amount in dispute; and
- (F) Copy of the Records being disputed.

III. Company will establish standard guidelines and Customer specific guidelines for handling certain classes of inquiries to supplement its standard operating procedures ("Guidelines"). Disputes generally will be handled according to the Guidelines. The Company reserves the right to use its judgment to resolve all Customer Services. All such determinations will be final and binding on Customer. Customer will provide Company with suggested written guidelines or modifications in a timely fashion. Company reserves the right to approve, modify or disapprove of all such guidelines.

All inquiries over fifty dollars (\$50.00) will be forwarded to Company's Investigations Department. Upon receipt of the internal credit form and the End User's records in dispute, the following procedures will be followed:

(A) Notify Customer (via automated fax) that an End User is disputing calls or charges over \$50.00, and that Company will determine the validity of such claim. That following information usually will be given:

- (1) End User's full name;
- (2) Telephone number;
- (3) Call detail; and
- (4) Amount in dispute.

(B) Confer with the LEC as needed to obtain pertinent information such as whether Customer was assigned the telephone number at the time of billing, etc.

(C) As deemed necessary by Company, confer with Customer to obtain pertinent information such as date service was canceled, etc.

(D) Maintain details of conversations when investigating the calls such as person's name, complete telephone number, etc.

(E) Notify the End User and Customer concerning disposition of the dispute.

IV. The following procedures will be utilized for credit issued through BOCs and LECs:

(A) An electronic EMI credit record will be submitted with the next billing submission.

(B) For those situations where an electronic credit cannot be submitted, an IC/EC memorandum may be mailed to the End User's LEC for credit toward End User's account if the credit amount is over seventy-five dollars (\$75.00). For amounts less than \$75.00, a check may be issued and made payable to the local telephone company, but forwarded to the End User.

The above procedures for refund checks, electronic EMI credit records and IC/EC memorandums may take up to a total of five (5) Business Days. Customer may not double bill or initiate secondary collection efforts for any Records that have been billed by the LECs.

V. A record of all disputes and resolutions will be provided by Customer Service reports that are made available on a weekly basis to Customer through ARRS.

VI. Company will handle all formal and informal regulatory inquiries and complaints. If the regulatory agency serves both Company and Customer, Customer is responsible for its response to the agency. If Customer is permitted to handle its own regulatory complaints, Company reserves the right to assume this function from Customer if deemed necessary to ensure proper handling and timely responses to the agency. Whether Customer or Company normally handles the complaint procedure, Company reserves the right to respond to an inquiry and to make any decisions regarding credit in response to an inquiry or complaint.

VII. Company policy regarding refunds relating to miscellaneous charges or the unauthorized switch of service is as follows:

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EXHIBIT "F"

ESBI PROCEDURES FOR CUSTOMER SERVICE

(A) If an End User disputes a fee billed as a 42 Record (i.e., a monthly recurring charge, voice mail service, etc.), Company will, to the best of its knowledge, explain the service and how the End User may have obtained the service. If the End User continues to dispute the service or states that they are refusing to pay, Company will refund the 42 Record fee.

(B) In the case of a dispute of an unauthorized switch of long distance service, not only will the charge for the 42 Record be refunded, but a rate adjustment or full credit to satisfy the End User also will be provided. Nothing in this Agreement will be deemed to limit remedies available under rules, regulations and laws.

(C) If the End User requests that a service be cancelled, or if LOA information is requested after a refund has been provided by Company, the End User will be referred to Customer and Company will code the account as "Canx," "SLAM," "CAN," "Lcanx" or another cancellation code on the Customer Service report. Customer agrees to cancel services for End Users that request cancellation.

(D) If the End User disputes a subsequent charge after requesting cancellation of service from the Customer, credit will be provided to satisfy the End User.

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EXHIBIT "G"

ESBI ANTI-CRAMMING CONSUMER PROTECTION STANDARDS OF PRACTICE

Customer agrees to comply with each of the following standards designed to protect consumers from cramming and other unfair billing practices. Customer also agrees to notify Company of any changes in the following information before such change occurs and to provide assurance to Company that such changes are consistent with these standards.

I.        PRESCREENING OF CUSTOMER.

On or before the Effective Date, Customer will provide the following information in writing in a document entitled prescreening Information to Company:

- (a) Customer's corporate name and address;
- (b) The names and titles of all officers and or principals of Customer;
- (c) The names of other companies or entities owned or controlled by the officers or principals identified in subsection (b) above;
- (d) A copy of a corporate Certificate of Good Standing or proof of partnership status;
- (e) A copy of the certifications demonstrating that Customer is qualified to do business in each of the states in which Customer provides communications products or services to End Users;
- (f) A statement of whether Customer, its affiliates or its officers or directors have been subject to prior conviction for fraud, or have had any billing services terminated for any reason; and, if so, providing a detailed description of the circumstances, date and person(s) or entities involved;
- (g) Copies of all Tariffs in effect with any state or federal regulatory agency;
- (h) The names and addresses of any telemarketing companies to be used by Customer; and
- (i) The names and addresses of any third-party verification companies to be used by Customer.

Customer agrees that it will update this information within ten (10) days of Company's request and annually.

II.        SCREENING OF PROGRAMS. PRODUCTS SERVICES.

On or before the Effective Date and during the Term, Customer will provide Company with copies of the following information:

- (a) Marketing materials used by Customer,
- (b) Advertisements (print or media) used by Customer;
- (c) Fulfillment packages sent to End Users (which must include cancellation information if not included elsewhere and a toll free Customer Service number);
- (d) Scripts for both sales and validation; and
- (e) Honest, clear and understandable text phrase for the telephone bill to End Users.

II.        ACCESS TO COMPLIANCE MONITORING INFORMATION.

During the Term of this Agreement, Customer will provide Company with reasonable access to information and data to enable Company to:

- (a) Monitor, investigate and resolve consumer inquiries regarding Customer;
- (b) Monitor, investigate and resolve consumer complaints to government agencies concerning Customer;
- (c) Monitor, investigate and resolve escalated complaints by End Users to the LEC concerning Customer;
- (d) Maintain up-to-date records regarding complaints and inquiries made by End Users concerning Customer,
- (e) Investigate and respond to complaints and inquiries made by End Users concerning Customer;
- (f) Conduct investigations with regard to complaints and inquiries made by End Users or regulatory bodies concerning Customer,
- (g) Confirm authorizations provided by End Users as required herein; and
- (h) Inform End Users as to how they may cancel a product or service.

IV.        AUTHORIZATIONS USED BY CUSTOMER.

On or before the Effective Date and during the Term, Customer will verify all End User authorizations to receive products or services offered by Customer through one of the following methods and will provide such verification upon Company's request:

- (a) Independent third-party verification;
- (b) Written letters of authorization or sales orders; or
- (c) Voice recordings of telephone sales authorizations.

A valid authorization must comply with applicable federal and state rules,

regulations and laws and include at least the following:

- (a) The date of the authorization;
- (b) The name, address and telephone number of the End User;

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EXHIBIT "G"  
ESBI ANTI-CRAMMING CONSUMER PROTECTION  
STANDARDS OF PRACTICE

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- (c) Assurance that the End User is qualified to authorize billing for the product or service on that phone bill;
- (d) A description of the product or service to be provided;
- (e) A description of the applicable charges for the products or services;
- (f) An explicit acknowledgment by the End User that the charges for the product or service will appear on his/her telephone bill; and
- (g) The acceptance by the End User of the offer.

V. BILLING INFORMATION

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On the Effective Date and during the Term, Customer will provide Company or the LECs with information that will enable the billing statements to End User to include:

- (a) A clear identification of Customer
- (b) A clear description of the products or services billed;
- (c) A clear identification of the charges; and
- (d) A toll free number that End Users may use to make inquiries concerning the bill.

STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE -- GROSS  
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION  
McKellops Corporate Square Suite 105

1. Basic Provisions ("Basic Provisions").

1.1 Parties: This Lease (Lease"), dated for reference purposes only, June 1, 1998, is made by and between Mr. Art Grandlich, D.B.A. McKellips Corporate Square (Lessee"), and Renaissance International Group, a Nevada corporation ("Lessee") (collectively the "Parties," or Individually a "Party").

1.2(a) Premises: That certain portion of the Building, Including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 4840 East Jasmine Street, Suite 105, located in the City of Mesa County of Maricopa, State of Arizona, with zip code 85205, as on Exhibit A attached hereto (Premises"). The "Building" is that certain building containing the Premises and generally described as (describe briefly the nature of the Building): an approximate 16,772 square foot office/warehouse suite located at McKellops Corporate Square per Exhibit A attached.

In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the Building or to any other buildings in the Industrial Center. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and Improvements thereon, are herein collectively referred to as the "Industrial Center." (Also see Paragraph 2.)

1.2(b) Parking: 57 unreserved vehicle parking spaces ("Unreserved Parking Spaces"); and 3 reserved vehicle parking spaces (Reserved Parking Spaces"). (Also see Paragraph 2.6)

1.3 Term 5 years and 0 months ("Original Term") commencing July 1, 1998 ("Commencement Date" and ending June 30, 2003 (Expiration Date"). (Also see Paragraphs 3.2 and 3.3.)

1.4 Early Possession: June 1998 ("Early Possession Date"). (Also see Paragraphs 3.2 and 3.3.)

1.5 Base Rent: \$ See Addendum per month (Base Rent"), payable on the first day of each month commencing July 1, 1998. (Also see Paragraph 4.)

[ ] If this box is checked, this Lease provides for the Base Rent to be adjusted per Addendum \_\_\_\_\_, attached hereto.

1.6(a) Base Rent Paid Upon Execution: \$14,324.93 as Base Rent for the period July 1998 & June 2003

1.6(b) Lessee's Share of Common Area Operating Expenses: 19.62% percent (

%) (Kessee's Square") as determined but [ x ] prorate square footage of the Premises as compared to the total square footage of the Building or [ ] other criteria as described in Addendum \_\_\_\_\_.

1.7 Security Deposit: \$9,000.00 ("Security Deposit"). (Also see  
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Paragraph 5.)

1.8 Permitted Use: General office use, warehouse use and research and  
-----  
development for a financial service company. ("Permitted Use") (Also see  
-----  
Paragraph 6.)

1.9 Insuring Party. Lessor is the "Insuring Party." (Also see Paragraph 8.) Annual Premium \$12,517.00 (July 97, July 98)

1.10(a) Real Estate Brokers. The following real estate broker(s) (collectively, the "Brokers") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes):

[ x] Lee & Associates - Robertson represent Lessor exclusively ("Lessor's  
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Broker"); See Addendum for

[ x] Grubb & Ellis - Hartland represents Lessee exclusively ("Lessee's  
-----  
Broker"); or commission payment  
schedule.

[ ] represents both Lessor and Lessee ((Dual Agency)). (Also see Paragraph 15.)

## 2. Premises, Parking and Common Areas.

2.1 Letting. Lessor hereby leases to Lessee, and Lessee hereby teases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental and/or Common Area Operating Expenses, is an approximation which Lessor and Lessee agree is reasonable and the rental and Lessee's Share (as defined in Paragraph 1.6(b)) based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 Condition. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the exalting plumbing, electrical systems, fire sprinkler system, lighting, air conditioning and heating systems and loading doors, if any, in the Premises, other than those con-structed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly alter receipt of written notice term Lessee setting forth with specify the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within thirty (30) days after the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 Compliance with Covenants, Restrictions and Building Code. Lessor warrants that any improvements (other than those constructed by Lessee or at Lessee's direction) on or in the Premises which have been constructed or installed by Lessor or with Lessor's consent or at Lessor's direction shall comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Lessor further warrants to Lessee that Lessor has no knowledge of any claim having been made by any governmental agency that a violation or violations of applicable building codes, regulations, or ordinances exist with regard to the Premises as of the Commencement Date. Said warranties shall not apply to any Alterations or Utility Installations (defined in Paragraph 7.3(a)) made or to be made by Lessee, If the Premises do not comply with aid warranties, Lessor shall, except as otherwise provided In this Lease, promptly after receipt of written notice from Lessee given within six (6) months following the Commencement Date and setting forth with the nature and extent of such non-compliance, take such action, at Lessor's expense, as may be reasonable or appropriate to rectify the

non-compliance. Lessor makes no warranty that the Permitted Use in Paragraph 1.8 is permitted for the Premises under Applicable Laws (as defined in Paragraph 2.4).

2.4 Acceptance of Premises. Lessee hereby acknowledges: (a) that it has been advised by the Broker(s) to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, seismic and earthquake requirements, and compliance with the Americans with Disabilities Act and applicable zoning, municipal, county, state and federal laws, ordinances and regulations and any covenants or restrictions of record (collectively, "Applicable Laws") and the present and future suitability of the Premises for Lessee's Intended use; (b) that Lessee has made such Investigation as it deems necessary with reference to such matters, is satisfied with reference thereto, and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Premises and/or the terms of this Lease; and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease.

2.5 Lessee as Prior Owner/Occupant. The warranties made by Lessor In this Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. in such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

2.6 Vehicle Parking. Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles shall be parked and loaded or unloaded as directed by Lessor in the Rules and Regulations (as defined In Paragraph 40) issued by Lessor. (Also see Paragraph 2.9.)

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked In areas other than those designated by Lessor or such activities.

(b) if Lessee permits or allows any at the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, In addition to such other rights and remedies that It may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(c) Lessor shall at lbs Commencement Date chi this Lease, provide the parking required by Applicable Law.

2.7 Common Areas- The term "Common Areas" is delved as all areas and facilities outside the Premises and within the exterior boundary the of the Industrial Center and interior utility raceways within the Premises that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other lessees the industrial Center and their respective employees, suppliers, shippers, customers, contractors and invitees. Including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways and landscaped areas.

2.8 Common Areas-Lessee's Rights. Lessor hereby grants to Lessee, for the benefit of lessee and Its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, In common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and pillages reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Industrial Center. Under no of circumstances shall the right herein granted to use the Common Areas be deemed to Include the right to store any property, temporarily or permanently. in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, In addition to such other rights and remedies that It may have, to remove the properly and charge the cost to Lessee,



which cost shall be immediately payable upon demand by Lessor.

2.9 Common Areas—Rules and Regulations. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable Rules and Regulations with respect thereto in accordance with Paragraph 40. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees of the Industrial Center.

2.10 Common Areas—Changes. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Industrial Center to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To allow Lessee to use the Common Areas while engaged in making additional improvements, repairs or alterations to the Industrial Center, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Industrial Center as Lessor may. In the exercise of sound business judgment, deemed to be appropriate.

### 3. Term.

3.1 Term. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 Early Possession. If an Early Possession Date is specified in Paragraph 1.4 and if Lessee totally or partially occupies the Premises after the Early Possession Date but prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early occupancy. All other Terms of this Lease, however, (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses and to carry the insurance required by Paragraph B) shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original Term.

3.3 Delay in Possession. If for any reason Lessor cannot deliver possession of the Premises to Lessee by the Early Possession Date, if one is specified in Paragraph 1.4, no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefore, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation at Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within ten (10) days after the end of said sixty (60) day period, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder; provided further, however, if such written notice of Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when this Original Term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to the period during which the Lessee would have otherwise enjoyed under the terms hereof, but minus any days of delay.

caused by the acts, changes or omissions of lessee.

#### 4. Rent.

4.1 Base Rent. Lessee shall pay Base Rent and other rent or charges, as the same may be adjusted from time to time, to Lessor in lawful money of the United States, without offset or deduction, on or before the day on which bills due under the terms of this Lease. Base Rent and all other rent and charges for any period during this term which is less than one full month shall be prorated based upon its actual number of days of the month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

4.2 Common Area Operating Expenses. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6(b)) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

a) "Common Area Operating Expenses" are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the industrial Center, including, but not limited to, the following:

(I) The operation, repair and maintenance, in neat, clean, good order and condition, of the following:

(aa) The Common Areas, including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, drive-ways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators and roof.

(bb) Exterior signs and any tenant directories.

(cc) Fire detection and sprinkler systems.

(II) The cost of water, gas, electricity and telephone to service the Common Areas.

(III) Trash disposal, property management and security services and the costs of any environmental inspections.

(IV) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10.2(b)) on this Building and the Common Areas.

(vi) Any insurance cost increase" (as defined in Paragraph 8.1).

(vii) The cost of insurance carried by Lessor with respect to the Common Areas.

(VIII) Any deductible portion of an insured loss concerning the Building or the Common Areas,

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specially attributable to the Building or to any other building in the Industrial Center shall be allocated to the operation, repair and maintenance hereof, shall be allocated to the Building or to such other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specially attributable to the Building or to any other building shall be equitably allocated by Lessor to all buildings in the Industrial Center.

(c) The inclusion of this improvements, and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to provide those services unless the improvements or services are necessary to provide those services unless

this Industrial Center already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within ten (10) days after a reasonably delayed statement of actual expenses is presented to Lessee by Lessor. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12-month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within sixty (60) days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of this actual Common Area Operating Expenses incurred during this preceding year. If Lessee's payments under this Paragraph 4.2(d) during said preceding year exceed Lessee's Share as indicated on said statement, Lessor shall be credited the amount of such over-

payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during said preceding year were less than Lessee's Share as indicated on said statement, Lessee shall pay to Lessor the amount of the deficiency within ten (10) days after delivery by Lessor to Lessee of said statement.

5. Security Deposit. Lessee shall deposit with Lessor upon Lessee's execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent or charges due hereunder, or otherwise defaults under this Lease (as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion to said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorneys' fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during this term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor as an addition to the Security Deposit so that the total amount of the Security Deposit shall at all times bear the same proportion to the then current Base Rent as the initial Security Deposit bears to the initial Base Rent set forth in Paragraph 1.5. Lessor shall not be required to keep all or any part of this Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 Permitted Use.

(a) Lessee shall use and occupy the Premises only for the Permitted Use set forth in Paragraph 1.8, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to the Premises or neighboring premises or properties.

(b) Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee, Lessee's assignees or subtenants, and by prospective assignees and subtenants on Lessee, its assignees and subtenants, for a modification of said Permitted Use, so long as the same will not impair the structural integrity of the improvements on the Premises or in this Building or the mechanical or electrical systems therein, does not conflict with uses by other lessees, is not significantly more burdensome to the Premises or the Building and the Improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days after such request give a written notification of same, which

notice shall include an explanation on Lessor's reasonable objections to the change in use.

## 6.2 Hazardous Substances.

(a) Reportable Uses Require Consent. The term "Hazardous Substance" as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on this Premises, is sillier: (I) potentially injurious to the public health, safety or welfare, the environment, or the Premises; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gas, the, crude oil on any products or by-products thereof. Lessee shall not engage in any activity in or about the Premises which constitutes a Reportable Use (as hereinafter defined) of I] hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Requirements (as defined in Paragraph 6.3). "Reportable Use" shall mean (I) the installation or use at any above or below ground storage tank, (II) the generation, possession, storage, use, transportation, or disposal of a [hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any government at authority, and (iii) the presence in, on or about this Premises of a Hazardous Substance with respect to which any Applicable Laws require that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding this foregoing, Lessee may, without Lessor's prior consent, but upon notice to Lessor and in compliance with all Applicable Requirements, use any Ordinary and customary materials reasonably required to be used by Lessee in the normal course of the Permitted Use, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to any Reportable Use at any Hazardous Substance by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and this environment against damage, contamination or injury and/or liability thereof or, including but not limited to the installation (and, at Lessor's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective notifications to this Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 hereof.

(b) Duty to Inform Lessor. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or this Building, other than as previously consented to by Lessor, Lessee shall immediately give Lessor written notice thereof, together with a copy of any statement, report, notice, registration, application, or business plan, license, claim, action, or proceeding given to, or received from, any governmental authority or private party concerning the presence, spill, release, discharge of, or exposure to, such Hazardous Substance including but not limited to all such documents as may be involved in any Reportable Use involving the Premises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about this Premises (including, without limitation, through the plumbing or sanitary sewer system).

(c) Indemnification. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises; harmless from and against any and all damages, liabilities, judgments, costs, claims, liens, expenses, penalties, loss of permits and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or on behalf of Lessee or by anyone under Lessee's control. Lessee's obligations under this Paragraph 6.2(c) shall include, but not be limited to, the self acts on any contamination or injury to person, property or the environment created or suit snarl by Lessee, and the cost of investigation (including consultants' and attorneys' fees and selling), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall

survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless superficially so agreed by Lessor in writing at this time of such agreement.

6.3 Lessee's Compliance with Requirements. Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "Applicable Requirements," which term is used in this Lease to mean all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (including but not limited to matters pertaining to (i) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill, or release of any Hazardous Substance), now sued or which may hereafter come into effect. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including but not limited to permits, registrations, manifests, applications, reports and certificates, Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, warning, complaint or report pertaining to or involving failure by Lessee to comply with any Applicable Requirements.

6.4 Inspection; Compliance with Law. Lessor, Lessor's agents, employees, contractors and designated representatives, and the holders of any mortgages, deeds of trust or ground leases on the Premises ("Lenders") shall have the right to enter this Premises at any time in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Requirements (as defined in Paragraph 6.3), and Lessor shall be entitled to employ experts and/or consultants in connection therewith to advise Lessor with respect to Lessee's activities, including but not limited to Lessee's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance on or from this Premises. This cost and expenses of any such inspections shall be paid by the party requesting same, unless a default or breach of this Lease by Lessee or a violation of Applicable Requirements or a contamination, caused or materially contributed to by Lessee, is found to exist or is imminent, or unless the inspection is requested or ordered by a governmental authority as the result of any such existing or imminent violation or contamination. In such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as this case may be, for the costs and expenses of such inspections.

## 7. Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations.

### 7.1 Lessee's Obligations.

(a) Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not such repairs occur as a result of Lessee's use, any prior use, the elements or the age of such portion of this Premises), including, without limiting the generality of the foregoing, all equipment or facilities serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, the hose connections if within the Premises, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights, but excluding any items which are the responsibility of Lessor pursuant to Paragraph

7.2 below. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's Obligations shall include restorations, replacements or renewals when necessary to keep this and all improvements thereon or a part thereof in good order,

condition and state of repair.

(b) Lessee shall, at Lessee's sole cost and expense, procure and maintain a contract, with copies to Lessor, in customary form and substance for and with a contractor specializing and experienced in this Inspection, maintenance and service of the heating, air conditioning and ventilation system on the Premises. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain this contract for the heating, air conditioning and ventilating systems, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) If Lessee fails to perform lessee's obligations under this Paragraph

7.1, Lessor may enter upon the Premises after ten (10) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, in accordance with Paragraph 13.2 below.

7.2 Lessor's obligations. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's obligations), 9 (Damage on Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler and/or standpipe and hose (if located in the Common Areas) or other automatic fire extinguishing system including the alarm and/or smoke detection

C American Industrial Real Estate Association 1993 systems and equipment, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Building, Industrial Center or Common Areas in good order, condition and repair.

### 7.3 Utility installations, Trade Fixtures, Alterations.

(a) Definitions; Consent Required. The term "Utility Installations" is used in this Lease to refer to all air, water, power panels, electrical distribution, security, fire protection systems, communications systems, lighting fixtures, heating, ventilating and air conditioning equipment, plumbing, and piping in, on or about the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment which can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements on the Premises which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures. "Lessee-Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a). Lessee shall not take nor cause to be made any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding this real estate) without Lessor's consent but upon notice to Lessor, so long as they are not visible from the outside of the Premises, do not involve puncturing, relocating or removing the roof or any existing walls, or changing or with the fire sprinkler or fire detection systems and the cumulative cost thereof during the term of this Lease as extended does not exceed \$2,500.00.

(b) Consent. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall

be presented to Lessor in written form with detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (I) Lessee's acquiring all applicable permits required by governmental authorities; (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of this work thereon and (iii) this compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations on Utility installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and be in compliance with all Applicable Requirements. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may, (but without obligation to do so) condition its consent to any requested Alteration or Utility installation that costs \$2,500.00 or more upon Lessee's providing Lessor with a lien and completion bond In an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation.

(c) Lien Protection. Lessee shall say when due all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work In, on, or about this Premises, and Lessor shall have the right to post notices of non-responsibility In or on the Premises as provided by law. II Lessee shall, In good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense, del and protect itself, Lessor and this Premises against the same and shall pay and satisfy any such adverse judgment that may be ren-dered thereon before the enforcement thereof against this Lessor cribs Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor In an amount equal to one and one-half times this amount at such congested lien claim or demand, Indemnifying Lessor( against liability for the same, as required by law for the holding of the Premises made from the effect of such lien or claim. in addition, Lessor may require Lessee to pay Lessor's attorneys' fees and costs In participating In such action if Lessor shall diode ills to its best Interest Is do so.

#### 7.4 Ownership, Removal, Surrender, and Restoration.

(a) Ownership. Subject to Lessor's right to require their removal and to cause Lessee to become the owner thereof as hereinafter provided In this Paragraph 7.4, all Alterations and Utility Installations made to this Premises by Lessee shall be lbs property of and owned by Lessee, but considered a part of this Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be this owner at all or any special part of the Lessee-Owned Alterations and Utility Installations. Unless otherwise instructed per Subparagraph 7.4(b) hereof, all Lessee-Owned Alterations and Utility installations shall, at the expiration or earlier termination of this Lease, become the property at Lessor and remain upon the Premises and be surrendered with the Premises by Lessee.

(b) Removal. Unless otherwise agreed In writing, Lessor may require that any or all Lessee-Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding that their installation may have been consented to by Lessor. Lessor may require the removal at any time of all or any part of any Alterations or Utility Installations made without this required consent of Lessor.

(c) Surrender/Restoration. Lessee shall surrender the Premises by the end of this last day of the Lease term or any earlier termination date, clean and free of debris and In good operating order, condition and state of repair, Ordinary wear and tear excepted. Ordinary wear and tear shall not Include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its Obligations under this Lease. Except as otherwise agreed or specified herein, this Premises, as surrendered, shall include the Alterations and Utility Installations. The obligation of Lessee shall

Include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Lessee-Owned Alterations and Utility Installations, as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Requirements and/or good practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. Insurance; indemnity.

8.1 Payment of Premium Increases.

(a) As used herein, the term "Insurance Cost increase" is defined as any increase in the actual cost of this insurance applicable to the Building and required to be carried by Lessor pursuant to Paragraphs 0.2(b), 8.3(a) and 8.3(b), ("Required insurance"), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. "insurance Cost increase" shall include, but not be limited to, requirements of this holder of a mortgage or deed of trust covering the Premises, increased valuation of the Premises, and/or a general premium rate Increase. The term "Insurance Cost Increase" shall not, however, include any premium Increases resulting from the nature of the occupancy of any other lessee of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the "Base Premium." If a dollar amount has not been inserted in Paragraph 1.9 and if this Building has been previously occupied during the twelve (12) month period immediately preceding this Commencement Date, this "Base Premium" shall be the annual premium applicable to such twelve (12) month period. If the Building was not fully occupied during such twelve (12) month period, this "Base Premium" shall be the lowest annual premium reasonably obtainable on this Required insurance as of the Commencement Date, assuming this most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of \$1,000,000 procured under Paragraph 8.2(b).

(b) Lessee shall pay any Insurance Cost Increase to Lessor pursuant to Paragraph 4.2. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to conform with this corresponding Commencement Date or Expiration Date.

8.2 Liability Insurance.

(a) Carried by Lessee. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee, Lessor and any Lender(s) whose names have been provided to Lessee in writing (as additional insured) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an "Additional Insured-Manager or Lessors of Premises" endorsement and contain the "Amendment of the Pollution Exclusion" endorsement for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's Indemnity Obligations under this Lease. This limit of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be primary to and not with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) Carried by Lessor. Lessor shall also maintain liability insurance described in Paragraph 6.2(a) above, in addition to and not in lieu of, the insurance required to be by Lessee. Lessee shall not be named as an



additional insured therein.

### 8.3 Property insurance—Building, improvements and Rental Value.

(a) Building and Improvements. Lessor shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to any Lender(s), insuring against or damage to the Premises. Such Insurance shall be (or full replacement cash, as the same shall exist moment-in-time, or the amount required by any Lender(s), but in no event more than the commercially reasonable and available insurable value thereof. If, by reason of the use nature or age at the Improvements involved, such latter amount is less than full replacement cost. Lessee-Owned Alterations and Utility installations, Trade Fixtures and Lessee's personal property shall be insured by Lessee pursuant to Paragraph 6.4. If the coverage is available and commercially appropriate, Lessor's policy or policies shall insure against all risks of direct physical loss or damage (except the perils on flood and/or earthquake unless required by a Lender or included in the Base Premium), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Building required to be demolished or removed, by reason of the enforcement on any building, zoning, safety or land use laws as the result of a covered loss, but not including plate glass insurance. Said policy or policies shall also contain an agreed valuation provision in lieu of any co-insurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the nearest to where this Premises are located.

(b) Rental Value. Lessor shall also obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and any Lender(s), insuring the loss of full rental and other charges payable by all lessees of this Building to Lessor for one year (including all Real Property Taxes, insurance costs, all Common Area Operating Expenses and any such other rental increases). Said Insurance may provide that in the event the Lease is terminated by reason of an insured loss, this period of indemnity shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said Insurance shall contain an agreed valuation provision in lieu of any co-insurance clause, and this amount on coverage shall be adjusted annually to reflect the protected rental income, Real Property Taxes, Insurance premium costs and other expenses, if any, otherwise payable, for the next 12-month period. Common Area Operating Expenses shall include any deductible amount in the event of such loss.

(c) Adjacent Premises. Lessee shall pay for any increase in the premiums for the property insurance of this Building and for this Common Areas or other buildings in this Industrial Carrier if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

MULTI-TENANT- (d) Lessee's Improvements. Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee-Owned Alterations and Utility installations if the item in question has become this property of Lessor under the terms of this Lease.

8.4 Lessee's Property insurance. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or, at Lessor's option, by endorsement to a policy already carried, maintain Insurance coverage on all of Lessee's personal property, Trade Fixtures and Lessee-Owned Alterations and Utility installations in, on, or about this Premises similar in coverage to that carried by Lessor as the Insuring Party under Paragraph 8.3(a). Such insurance shall be full replacement cost coverage with a deductible not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property and the restoration of Trade Fixtures and Lessee-Owned Alterations and Utility Installations. Upon request from Lessor, Lessee shall provide Lessor with written evidence that such insurance is in force.

8.5 Insurance Policies. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during this policy term a "General Policyholders Rating" on at least 8+, V, or such other rating as may be required by a Lender, as set forth

in this most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. Lessee shall cause to be delivered to Lessor, within seven (7) days after the earlier of this Early Possession Date or the Commencement Date, copies of, or certificates evidencing the existence and amounts of, the insurance required under Paragraph 8.2(a) and 8.4. No such policy shall be cancelable or subject to modification except after thirty (30) days' prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand.

8.6 Waiver of Subrogation. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their right to recover damages (whether in contract or in tort against the other, or loss or damage to their property arising out of or incident to the perils required to be insured against under Paragraph 8. This effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto. Lessor and Lessee agree to have their respective insurance companies issuing property damage insurance waive any right to subrogation that such companies may have against Lessor or Lessee, as this case may be, so long as the insurance is not invalidated thereby.

8.7 Indemnity. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and his agents, Lessor's master or ground lessor, partners and lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, loss of permits, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in this performance in a timely manner of any obligation on Lessee's part to be performed under this lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved herein, and whether or not (in this case of claims made against Lessor) litigated and/or reduced to judgment. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

8.8 Exemption of Lessor from Liability. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or result from fire, steam, electricity, gas, water or rain, or from this breakage, leakage, obstruction or other defects of pipes, the sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not, Lessor shall not be liable for any damages arising from any act or neglect of any other lessee at Lessor nor from the failure by Lessor to enforce the provisions of any other lease in the industrial center. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

## 9. Damage or Destruction.

### 9.1 Definitions.

(a) "Premises Partial Damage" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility installations, the repair cost of which damage or destruction is less than fifty percent (50%) of the then Replacement Cost (as defined in Paragraph 9.1(d)) of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction.

(b) "Premises Total Destruction" shall mean damage or destruction to

to-re Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is fifty percent (50%) or more of this then Replacement Cost of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction. In addition, damage or destruction to this Building, other than Lessee-Owned Alterations and Utility Installations and Trade Fixtures on any lessees alibis Building, the cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost (excluding Lessee-Owned Alterations and Utility installations and Trade Fixtures of any lessees of this Building) at this Building shall, at the option of Lessor, be deemed to be Premises Total Destruction.

(c) "insured Loss" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 13.3(a) Irrespective of any deductible amounts or coverage hauls Involved.

(d) "Replacement Cost" shall mean this cost to repair or rebuild the improvements owned by Lessor at the time on the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances or laws, and without deduction for depreciation.

(e) "Hazardous Substance Condition" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a hazardous substance as defined in Paragraph 6.2(a), in, on, or under this Premises.

9.2 Premises Partial Damage-Insured Loss. If Primary Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee-Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect. In the event, however, that there is a shortage at insurance proceeds and such shortage is due to the fact that, by reason of the unique nature of the improvements in the Premises, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice on such shortage and request thereon. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, Lessor shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor nevertheless elects by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds. In which case this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within such ten (10) day period, and if Lessor does not so elect to restore and repair, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earth-quake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 Partial Damage-Uninsured Loss. If Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense and this Lease shall continue in full force and effect), Lessor may at Lessor's option, either repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (11) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence on such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have this right written ten (10) days after the receipt of such notice to give written notice to Lessor on Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance

thereof within thirty (30) days following such commitment from Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after this required funds are available. If Lessee does not give such notice and provide these funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 Total Destruction. Notwithstanding any other provision hereof, if Premises Total Destruction occurs (including any destruction required by any authorized public authority), this Lease shall terminate sixty (60) days following this date of such Premises Total Destruction, whether or not the damage or destruction is an insured loss or was caused by a negligent or willful act of Lessee. In the event, however, that the damage or destruction was caused by Lessee, Lessor shall have this right to recover Lessor's damages from Lessee except as released and waived in Paragraph 9.7.

9.5 Damage Near End of Term. If at any time during the last six (6) months of this term of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an insured loss, Lessor may, at Lessor's option, terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving written notice to Lessee at Lessor's election to do so within thirty (30) days after the date of occurrence of such damage. Provided, however, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by (a) exercising such option, and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is ten (10) days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's expense repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate as of the date set forth in the first sentence of this Paragraph 9.5.

9.6 Abatement of Rent; Lessee's Remedies.

(a) In the event of (i) Premises Partial Damage or (ii) Hazardous Substance Condition which Lessee is not legally responsible, the Base Rent, Common Area Operating Expenses and other charges, if any, payable by Lessee hereunder for the period during which such damage or condition, its repair, remediation or restoration continues, shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not in excess of proceeds from insurance required to be carried under Paragraph 8.3(b). Except for abatement of Base Rent, Common Area Operating Expenses and other charges, if any, as aforesaid, all other obligations of Lessee thereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair, remediation or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration at the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice, and if Lessee gives such notice to Lessor and such lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice, if Lessor or a lender commences the repair or restoration of this Premises within thirty (30) days after the receipt at such notice, this Lease shall continue in full force and effect. "Commence" as used in this Paragraph

9.6 shall mean either the unconditional authorization of the preparation of the required plans, or this beginning of the actual work on the Premises, whichever occurs first.

9.7 Hazardous Substance Conditions, if a Hazardous Substance Condition

occurs, unless Lessee is legally responsible therefor (In which case Lessee shall make this Investigation and remediation thereat required by Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(c) and Paragraph 13), Lessor may at Lessor's option either (I) investigate and remediate such Hazardous Substance Condition, If required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue In full force and elf ed, or (II) lithe estimated cost to investigate and remediate such condition exceeds twelve (12) times the then monthly Base rent or \$100,000 which ever is greater, give written notice to Lessee within thirty (30) days after receipt by Lessor at knowledge alit-re occurrence on such Hazardous Substance Condition of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date on such notice, In this event Lessor elects to give such notice of Lessor's Intention to terminate this Lease. Lessee shall have the night within ten (10) days after the receipt old such notice to give written notice to Lessor of Lessee's commitment to pay for the excess costs of(s) Investigation and remediation on such Hazardous Substance Condition to lbs extent required by Applicable Requirements, over (b) an amount equal to twelve (12) times the bi-ran monthly Base Rent or \$100,000, whichever Is greater. Lessee shall provide Lessor with the funds required of Lessee or satisfactory assurance thereof within thirty (30) days hollowing said commitment by Lessee. in such event this Lease shah continue in full lance and effect, and Lessor shall pro-ceed to make such investigation and remediation as soon as reasonably possible after the required funds are available, If Lessee does not give such notice end provide the required Funds or assurance thereof within the time period specified above, this Lease shah terminate as of the date specified In Lessor's notice after,

9.8 Terminator-Advance Payments, Upon termination on this Lease pursuant to this Paragraph 9, Lessor is-rail return to Lessee any advance payment made by Lessee to Lessor and so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor under the terms at -us Lease, the Waiver of Statutes. Lessor and Lessee agree that the terms alibis Lease shall govern the sued of any damage to or destruction of the-re Premises and Building with respect to the termination of thus Lease an-rd hereby waive this provisions of any present or future statue to the extent ills inconsistent herewith.

#### 10. Real Property Taxes.

10.1 Payment of Taxes. Lessor strait pay the Real Property Taxes, as defined In Paragraph 10.2(a), applicable to the industrial Center, and except as otherwise provided in Paragraph 10.3, any Increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses In accordance with the provisions of Paragraph 4.2.

#### 10.2 Real Property Tax Definitions. 1997 Property Taxes \$59,744.06

(a) As used herein, this term "Real Property Taxes" shall Include any form Eli Sal slate tax or assessment, general, special, Ordinary or extraordinary, and any license fee, commercial rental tax, Improvement bond or bonds, levy or tax (other ti-ran inheritance, personal Income or estate taxes) Imposed upon the Industrial Center by any authority b-raving the direct or indirect power to tax, Including any, state or federal government, or any school, agricultural, sanitary, fire, street, drainage, or other Improvement district thereof, levied against any legal or equitable Interest on Lessor in the Industrial Center or any portion thereof, Lessor's right to rent or other Income thereof ram, and/or Lessor's business of leasing The Premises. This term "Real Property Taxes" shall also include any lax, fee, levy, assessment or charge, or any Increase therein, imposed by reason. of events occurring, or changes In Applicable Law taking effect, during the term of this Lease, including but not limited lo a change In time ownership of this Industrial Center on in the Improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and what're or not contemplated by Ibis Parties.

(b) As used herein, this term Base Real Property Taxes is-rail be the amount of Real Property Taxes, which are assessed against the Premises, Building or Common Areas In the calendar year during which the Lease is executed. in calculating Real Property Taxes by any calendar year, the Real Property Taxes I or any real estate tax year shall be included In time calculation on Real Property Taxes Ion such calendar year based upon the number of days which such calendar year and tax year h-rave common.

10.3 Additional Improvements. Common Area Operating Expenses shall not Include Real Property Taxes specified In this tax assessor's records and work sheets as belong caused by additional improvements placed upon the Industrial Center by other lessees or by Lesson for the exclusive employment at such other lessees. Notwithstanding Paragraph 10.1 , Lessee shall, whatever, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the amount of any Increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility installations placed upon the Premises by Lessee or at Lessee's request.

10.4 Joint Assessment. If this Building is all separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all on the land and Improvements Included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, In good faith, shall be conclusive.

10.5 Lessee's Property Taxes. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or stored within the industrial Center. When possible, Lessee shall cause Its Lessee-Owned Alterations and Utility, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11, Utilities. Lessee shall pay directly for all utilities and services supplied to the Premises, including but not limited to electricity, telephone, security, gas and cleaning of the Premises, together with any taxes thereon. If any such services are not separately metered to the Premises or separately billed to the Premises, Lessee shall pay to Lessor a reasonable proportion to be determined by Lessor of all such utilities jointly metered or billed with other premises in the Building, In the manner and within the time periods set forth In Paragraph 4.2(d).

## 12. Assignment and Subletting.

### 12.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or transfer or encumber (collectively, "assign") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms at Paragraph 36.

(b) A change in the control of Lessee shall constitute an assignment requiring Lessor's consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in control purpose.

(c) The Involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, , transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation on this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee, as hereinafter defined, by an amount equal to or greater than twenty-five percent (25%) of such Net Worth of Lessee as it was represented to Lessor at the time of the execution and delivery of this Lease or at the time of the most recent assignment to which Lessor has consented, in effect as it exists immediately prior to said transition or transactions constituting such reduction, at whichever time said Net Worth of Lessee was or is greater, shall be considered an assignment of this Lease by Lessee to which Lessor may reasonably withhold its consent. "Net Worth of Lessee" for purposes of this Lease shall be the net worth of Lessee (excluding any Guarantors) established under generally accepted accounting principles consistently applied.

(d) An assignment or subletting of Lessee's Interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1, or a non-curable

Breach without the necessity of any notice and grace period, if Lessor elects to treat such unconcealed to assignment or subjecting as a non-curable Breach, Lessor shall have the right to either: (I) hermit-rate Ibis Lease, or (ii) upon thirty (30) days' written notice ("Lessor's Notice"), Increase the monthly Base Rent on the Premises to the greater of the then fair market rental value of this Premises, as reasonably determined by Lessor, or one hundred ten percent (110%) of the Base Rent Insured. Pending the new fair market rental value, If disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next s) of Base Rent coming due, and any underpayment for the period retroactively to The elf active dale of the adjustment being due and payable immediately upon this determination . Further, in the event of such Breach and mental adjustment, (I) the purchase price on any option to purchase it Premises I-Reid by Lessee shah be subject to similar adjustment to the fair market value as reasonably determined by Lessor (without -us Lease being considered an encumbrance or any deduction for derogation or obsolescence, and considering this Premises at us highest and best use and in good condition) arena hundred hen percent (110%) of the price previously In elect, (II) any Index-oriented rental or price adjustment formulas contained in ibis Lease shall be adjusted to require that the base index be determined with reference to the index applicable to this time of such adjustment, and (ill) any fixed rental adjustments during the remainder of the Lease term shall be increased In the same as the new rental bears to the Bass Rent inn effect prior to this adjustment specified in Lessor's Notice.

(a) Lessee's remedy Ion any breach on this Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

## 12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, any assignment on subletting shall not be elective with-rout lbs express written assumption by such assignee or Sublessee on the Obligations of Lessee under this Lease, (ii) release Lessee of any Obligations hereunder, nor (iii) alter the primary liability at Lessee tenths payment of Base Rent and other sums due Lessor hereunder or Ion Tim performance of any other Obligations performed by Lessee under this Lease.

(b) Lessor may accept any rent or performance of Lessee's Obligations from any person other ran Lessee pending approval or disapproval of an assignment. Neither a delay In the approval or disapproval at such assignment nor the acceptance of any rent for performance shall constitute a waiver or estoppels of Lessor's right to exteriors Its remedies for the Default on Beach by Lessee of any on the terms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shah not constitute a consent to any subsequent assignment or subletting by Lessee or ho any subsequent or success) assignment or subletting by the assignee or subleases. However, Lessor may consent to subsequent subjecting and assignments on the sublease or any amendments or modifications Thai-ole without nullifying Lessee or anyone else liable under this Lease or the sublease and Without obtaining their consent, and such action shall not relieve such persons from this Lease or the sublease.

(d) In this event of any Default or Breach of Lessee's obligation under this Lease, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible tar the performance of the Lessee's Obligations under this Lease, including any Sublessee, without hi-exhausting Lessor's remedies against any other person or entity responsible afar-afar to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be ti-u writing, accompanied by Information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness on tins proposed assignee or Sublessee, including but not limited to the Intended use and/or required modification of the Premises, it any, together with a non-refundable deposit of \$1,000 an ten percent (bob) at the monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as reasonable consideration for Lessor's considering and processing the request for

consent. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested by Lessor.

(f) Any assignee on, or Sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term on said assignment or sublease, other than such Obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has superficially consented in writing.

(g) This occurrence of a transaction described in Paragraph 12.2(c) shall give Lessor the right (but not the obligation) to require that the Security Deposit be increased by an amount equal to six (6) times the monthly Base Rent, and Lessor may make the actual receipt by Lessor on the Security Deposit increase a condition to Lessor's consent to such transaction.

(h) Lessor, as a condition to giving its consent to any assignment or subletting, may require that the amount and adjustment schedule at the rent payable under this Lease be adjusted to what is then the market value and/or adjustment schedule for property similar to the Premises as then constituted, as determined by Lessor.

12.3 Additional Terms and Conditions Applicable to Subletting. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease with or without expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's Obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's Obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of the foregoing provision or any other assignment of such sublease to Lessor, nor by reason of the collection on the rents of a Sublessee, be deemed liable to this Sublessee for any failure of Lessee to perform and comply with any of Lessee's Obligations to such Sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such Sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's Obligations under this Lease, to pay to Lessor the rents and other charges due and to become due under the sublease. Sublessee shall rely upon any such statement and request from Lessor and shall pay such rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against such Sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said Sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of Lessee's Obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any Sublessee to indemnify Lessor, in which event Lessor shall undertake the Obligations at the SubLessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such SubLessor or for any other prior defaults or breaches of such SubLessor under such sublease.

(c) Any matter requiring the consent of the SubLessor under a sublease shall also require the consent of Lessor herein.

(d) No Sublessee under a sublease approved by Lessor shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach



by Lessee to the Sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such. The Sublessee shall have a right of reimbursement and set off against Lessee for any such Defaults cured by the Sublessee.

### 13. Default; Breach; Remedies.

13.1 Default; Breach. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), \$350.00 is a reasonable minimum sum per such occurrence for non legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said default. A "Default" by Lessee is defined as a failure by Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "Breach" by Lessee is defined as this occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, and shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13.3:

(a) This vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent, Lessee's Share of Common Area Operating Expenses, or any other monetary payment required to be made by Lessee hereunder as and when due, this failure by Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of ten (10) days after written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) of (i) compliance with Applicable Requirements per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the recession of an unauthorized assignment or subletting per Paragraph 12.1, (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination in this Lease per Paragraph 30, (vi) this guaranty of the performance of Lessee's Obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this lease, where any such failure continues for a period of ten (10) days following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof that are to be observed, complied with or performed by Lessee, other than those described in Subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making by Lessee of any general assignment for the benefit of its creditors; (ii) Lessee's becoming a "debtor" as defined in 11 U.S. Code Section 101 or any successor statute (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision

on this Subparagraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect, and shall not affect the validity of the remaining provisions.

(f) The discovery by Lessor that any Financial statement of Lessee or oil any Guarantor, given to Lessor by Lessee or any Guarantor, was materially

(g) lithe performance of Laser's Obligations under this Lease is guaranteed: (I) the detain of a Guarantor, (ii) lye termination of a Guarantor's liability with respect to this Lease other than inn accordance with the terms of such guaranty, (Iii) a Guarantor's becoming Insolvent or the subject on a bankruptcy tiling, (iv) a Guarantor's refusal to no nor this guaranty, or (v) a Guarantor's breach allies guaranty obligation on a breach basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurances of security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined biannual resources at Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 Remedies. If Lessee fails to phi-f chi any alt invasive duty or obligation of Lessee under this Lease, with-rim Len (10) days after written notice to Lessee (or in case of an emergency, whiteout notice), Lessor may at its opinion (but with-rout obligation to do so), perform-run such duly or obligation on Lessee's behalf, Including but not limited to the obtain-ring of reasonably required bonds, insurance policies, of- governmental licenses, permits or approvals. The costs and expenses 01 any such performance by Lessor shah be due and payable by Lessee to Lessor upon invoice three-hour. ii any check given to Lessor by Lessee shall not be honored by the bank upon which Ills drawn, Lessor, at its own option, may require all Future payments to be made under this Lease by Lessee to be made only by cashier's check. In the event of a Breach at tennis Lease by Lessee (as deigned In Paragraph 13.1), with on will-rout further malice or demand, and wilt-rout limiting Lessor In the dextrose of any nagging or remedy which Lessor may h-rave by reason of such Breach, Lessor may:

(a) Terminate Lessee's night to possession of .11-re Premises by any lawful means, In which case this Lease and lye term hereof shall germinal and Lessee shall immediately surrender possession-ref the Premises to Lessor. in such event Lessor shall be entitled to recover hi-cm Lessee: (I) the worth at the time at the award on the unpaid remit which had been earned at the time on termination; (Ii) ibis worth at the time of award at the amount by which The unpaid rent which would I-rave bean earned alter termination until the time on award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid remit for the balance to the term alter the lines of award exceeds the amount of-such rental loss that the Lessee proves could be reasonably avoided; and (live) any other amount necessary ho compensate Lessor Ice all the detriment proximately caused by the Lessee's failure to perform its Obligations under lids Lease or which In the Ordinary course of things would be likely to result therefrom. Including but not limited to the cost on recovering possession of the Premises, expenses of relating, Including necessary renovation and alteration on the Premises, reasonable attorneys' tees, and lb-rat portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexposed term of this Lease. The worth at the Lime to award old the amount retorted to in provision (iii) of the immediately preceding sentence shall be centupled by discounting such amount at the dis-count rate of the Federal Reserve Bank on San Francisco on the Federal Reserve Bank District in which the Premises are located at this time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Umlaut or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph 13.2. If termination of lids Lease Is obtained through the provisional remedy of unlawful detained, Lesson shall have the right to makeover in such pro-

ceding the unpaid rent and damages as are recoverable therein, or Lessor may reserve the nigh-rah to recover all or any part thereof in a separate suit for such rent and/or damages. If a notice and grace period required under Subparagraph 13.1(b), (c) or (d) was not previously given, a notice to pay rent or quit, onto perform or quit, as the case may be, given to Lessee

under any statute authorizing the forfeiture of leases for unlawful default shall also constitute the applicable notice for grace period purposes required by Subparagraph 13.1(b), (c) or (d). In such case, the applicable grace period under the unlawful statute shall run concurrently after the one such statutory notice, and the failure of Lessee to cure the Default within the greater of the two (2) such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. Lessor and Lessee agree that the limitations on assignment and subletting in this Lease are reasonable. Acts of maintenance or preservation, efforts to insist on the Premises, or the appointment of a receiver to protect this Lessor's Interest under this Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee of its liability under any Indemnity provisions of this Lease as to matters occurring on accruing during the term hereof on by reason of Lessee's occupancy of the Premises.

13.3 Inducement Recapture in Event of Breach. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee at any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "inducement provisions" shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach (as defined in Paragraph 13.1) of this Lease by Lessee, any such inducement provision shall be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an inducement provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor, as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of a Breach which initiated this operation of this Paragraph 13.3 shall not be deemed a waiver by Lessor of any provisions of this Paragraph 13.3 unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 Late Charges. Lessee hereby acknowledges that late payment by Lessee to Lessor on rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or deed of trust, covering the Premises. Accordingly, if any installment of rent or other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and equitable portion of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver on Lessee's behalf or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event rent is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any other provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 Breach by Lessor. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and by any lender(s) whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of

Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called, this Lease is-nail terminals as to the part so taken as at its date the condemning authority takes title or possession, whichever first occurs, if more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the portion of the Common Areas designated for Lessee's parking, is taken by condemnation, Lessee may, at Lessee's option, to be expressed in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as on the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to this portion of this Premises remaining, except that the Base Rent shall be reduced in the same proportion as the retable floor area of the Premises taken bears to the total retable floor area of the Premises. No reduction of Base Rent shall occur if the condemnation does not apply to any portion of the Premises. Any award for the taking of all or any part of this Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution of value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation, separately awarded to Lessee for Lessee's relocation expenses and/or loss on Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of net severance damages received, over and above Lessee's share of the legal and other expenses incurred by Lessor in the condemnation matter, repair any damage to the Premises caused by such condemnation authority. Lessee shall be responsible for the payment of any amount in excess of such net severance damages required to complete soon repair.

#### 15. Brokers' Fees.

15.1 Procuring Cause. The Broker(s) named in Paragraph 1.10 is/are cause of this Lease.

15.2 Additional Terms. Unless Lessor and Broker(s) have otherwise agreed in writing, Lessor agrees that: (a) If Lessee exercises any Option (as defined in Paragraph 39) granted under this Lease on any Option subsequently granted, or (b) If Lessee acquires any rights to the Premises or other premises in which Lessor has an interest, or (c) if Lessee remains in possession of the Premises with the consent of Lessor after the expiration of the term of this Lease after having failed to exercise an Option, or (d) If said Brokers are the procuring cause of any lease or sale entered into between the Parties pertaining to the Premises and/or any adjacent property in which Lessor has an interest, or (e) If Base Rent is increased, whether by agreement or operation of an escalation clause herein, then as to any of said transactions, Lessor shall pay said Broker(s) a fee in accordance with the schedule of said Broker(s) in effect at the time of the execution of this Lease.

15.3 Assumption of Obligations. Any buyer or transferee of Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this Paragraph 15. Each Broker shall be an intended third party of the provisions of Paragraph 1.10 and of this Paragraph 15 to the extent of its interest in any commission arising from this Lease and may enforce right directly against Lessor and its successors,

15.4 Representations and Warranties. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder other than as named in Paragraph 1.10(a) in connection with the negotiation of this Lease and/or its consummation of the transaction contemplated hereby, and that no broker or other person, firm or entity other than said named Broker(s) is entitled to any commission or finder's fee in connection with said transaction. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed

broker, finder or other similar party by reason of any dealings or actions of the Indemnifying Party, including any costs, expenses, and/or attorneys' fees reasonably Incurred with respect thereto.

## 16 Tenancy and Biannual Statements.

16.1 Tenancy Statement. Each Party (as "Responding Party") shall within ten (10) days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in a form similar to the then most current "Tenancy Statement" form published by The American Industrial Real Estate Association, plus such additional information and/or statements as may be reasonably requested by the Requesting Party.

16.2 Biannual Statement. If Lessee desires to finance, refinance, or sell the Premises or any part thereof, Lessee and agent shall deliver to any potential lender or purchaser designated by Lessor such statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's statements for the past 3 (3) years. All such statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. Lessor's Liability. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises. In the event of a transfer of Lessor's title interest in the Premises or in this Lease, Lessor shall deliver to the assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15.3, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants in this Lease thereat to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. Severability. This Lease, in whole or in part, shall in no way affect the validity of any other provision hereof.

19. Interest on Past-Due Obligations. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within ten (10) days following this date on which it was due, shall bear interest at the rate in effect at the time due at the prime rate charged by the largest state chartered bank in the state in which the Premises are located plus four percent (4%) per annum, but not exceeding the maximum rate allowed by law, in addition to the potential late charge provided for in Paragraph 13.4.

20. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. Rent Deferred. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. No Prior or Reinforcing Agreements; Broker Disclaimer. This Lease supersedes all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. Each Broker shall be an intended third party on the provisions of this Paragraph 22.

## 23. Notched.

23.1 Notice. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger or certified mail) or may be sent by regular, certified or registered mail on U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission during normal business hours, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery on mailing on notice purposes. Either Party may by written notice to the other

spiffy a different address for malice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose at mailing or delivering notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 Date of Notice. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date at delivery shown on the receipt card, or if no delivery date is shown, this postmark thereon. If sent by regular mail, the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given twenty-four (24) hours after delivery on the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone or facsimile confirmation of receipt on the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday or a Sunday or a legal holiday, it shall be deemed received on the next business day.

24, Waivers. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or any other term, covenant or condition hereof. Lessor's consent to, or approval of, any such act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an attempt to enforce the provision or provisions at this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any Default or Breach by Lessee of any provision hereof. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless superficially agreed to in writing by Lessor at or before the time of deposit of such payment.

25. Recording. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees or taxes applicable thereto.

26. No Right To Holdover. Lessee has no right to retain possession at the Premises or any part thereof beyond the expiration or earlier termination of this Lease. In the event that Lessee holds over in violation of this Paragraph 26 then the Base Rent payable from and after the time of the expiration or earlier termination at this Lease shall be increased to two hundred percent (200%) at the Base Rent applicable during the preceding such expiration or earlier termination. Nothing contained herein shall be construed as a consent by Lessor to any holding over by Lessee.

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28, Covenants and Conditions. All provisions of Lease to be observed or performed by Lessee are both covenants and conditions.

29. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any mitigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. Subordination; Attainment; Non-Disturbance.

30.1 Subordination. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed by Lessor upon the real property at which the Premises are a part, to any and all advances made on this security thereof, in addition to all renewals, modifications, consolidations, replacements and extensions to it. Lessee agrees that all lenders holding any such Security Device shall have no

duty, liability an obligation to perform any on lb-new Obligations on Lesson under tins Lease, but that In the event oil Lessor's default with respect to any such obligation, Lessee will give any Lender whose name and address h-have been punished Lessee In writing I or such purpose notice of Lessor's default pursuant to Paragraph 13.5. if any Lender shall heel to have this Lease and/or any Option granted hereby superior to the lien old its Security Device and shall give written notice thereof to Lessee, lids Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recondition to Israel.

30.2 Attainment. Subject to the non-disturbance provisions on Paragraph

30.3, Lessee agrees to altar to a Lender or any other party wire acquires ownership of line Prentiss by reason of a foreclosure of a Security Device, and that in the event on such foreclosure, such new owner shall not: (I) be liable for any act or omission of any prior lesson on with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (lei) be bound by prepayment of more tab-ran one month's rent.

30.3 Non-Disturbance. With respect to Security Devices entered Into by Lessor abler the execution of this lease, Lessee's subordination of this Lease shall be sublet to receiving assurance (a non-disturbance agreement") from the Lender that Lessee's possession and this Lease, including any options ho extend the term hereof, will not be disturbed so none as Lessee is rot-rot In Breach hereof and althorns to the record owner of the Premises.

30.4 Self-Executing. The agreements contained In this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that upon written request from Lesson or a Lender in connection with a sale, fanning or f Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any such subordination or moon-subordination, atonement and/or non-disturbance agreement as Is provided tar herein.

31. Attorneys' Fees. II any Party or Broken brings an action or proceeding to enforce the terms hassle or declare rights hereunder, the Prevailing Party (as here-alter defined) In any such proceeding, action, or appeal terrain, shall be entitled to reasonable attorneys' lees. Such lees may be awarded In the same suit or recovered in a separate stilt, whether or not such action or proceeding Is pursued to diffusion or judgment. The trine "Prevailing Party" shall Include, without limitation, a Party or Broker who substantially obtains or defeats this relief sough-rim, as this case may be, whether by compromise, settlement, judgment, or the abandonment by this other Party on Broker of its claim or defense. The attorneys' fee award shall not be computed iii accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably Incurred. Lessor shall be entitled to attorneys' fees, costs and expenses Incurred in preparation and ser-vice of notices old Default and consultations In connection therewith, whether or not a legal action is subsequently commenced In connection with such Default or resultant's Breach. Broker(s) shall be Intended third party beneficiaries of this Paragraph 31.

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter Line Premises at any lime, in the case of , and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises onto the Building, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premises or Building any Ordinary 'for Sale" signs and Lessor may at any lime during the last one hundred eighty (180) days of the term hereon place on or about the Premises any Ordinary "For Lease' signs. Alt such activities at Lessor shall be without abatement or liability to Lessee.

33. Auctions. Lessee shall not conduct, nor permit to be conduced, either voluntarily or Involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary In this Lease, Lesson shall not be obligated to dextrose any standard at reasonableness in determining whether to grant such consent.

34. Signs. Lessee shall not place any sign upon Ibis exterior of T-bone Pram-rises or the Building, except that Lessee may, with Lessor's prior written consent, Install (but riot on the roof) such signs as are reasonably required to advertise Lessee's own business so long as such signs are in a location

designated by Lessor and comply with Applicable Requirements and the signage criteria established for the Industrial Center by Lessor. The Installation on any sign on the Premises by or for Lessee shall be subject to the provisions at Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof of this Building, and the right to install advertising signs on the Building, including the roof, which do not unreasonably interfere with the conduct of Lessee's business; Lessor shall be entitled to all revenues from such advertising signs.

35. Termination; Merger. Unless stated otherwise in writing by Lessor, this Lease shall automatically terminate upon the mutual termination or cancellation hereof, or a termination hereof by Lessor or Breach by Lessee, shall automatically terminate any sublease or lesser estate in this Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination at such interest.

36. Consents,

(a) Except as provided in Paragraph 33 hereon (Auctions) or as otherwise provided herein, whenever in this Lease the consent of a Party is required to an act by or on the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in this consideration of, or response to, a request by Lessee for any Lessor consent pertaining to this Lease on the Premises, including but not limited to consents to an assignment or subletting on the presence or use of a Hazardous Substance, shall be paid by Lessee to Lessor upon receipt at an invoice and supporting documentation therefore. In addition to the deposit described in Paragraph 12.2(e), Lessor may, as a condition to considering any such request by Lessee, require that Lessee deposit with Lessor an amount of money (in addition to the Security Deposit held under Paragraph 5): reasonably calculated by Lessor to represent the cost Lessor will incur in considering and responding to Lessee's request. Any unused portion of said deposit shall be refunded to Lessee without interest. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgment that no Default or Breach by Lessee on this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such other conditions as are then reasonable with reference to the particular matter to which consent is being given.

37. Guarantor.

37.1 Form of Guaranty. If there are to be any Guarantors of this Lease per Paragraph 1.11, the form of the guaranty to be executed by each such Guarantor shall be in the form most recently published by the American Industrial Real Estate and each such Guarantor shall have the same obligations as Lessee under this lease, including but not limited to the obligation to provide the Tenancy Statement and required in Paragraph

37.2 Additional Obligation of Guarantor. It shall constitute a Default of the Lessee under this Lease if any such Guarantor falls or refuses, upon reasonable request by Lessor to give: (a) evidence of the ability of the Guarantor called for by this Lease, including the authenticity of the Guarantor (and of this party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and resolution of the board of directors authorizing the making of such guaranty, together with a certificate of incumbency showing the signatures of the persons authorized to sign on its behalf, (b) current annual statements of Guarantor as may from time to time be requested by Lessor, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in



effect.

38. Quiet Possession. Upon payment by Lessee of the rent for the Premises and the performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the term hereof subject to all of the provisions of this Lease.

39. Options.

39.1 Definition. As used in this Lease, the word "Option" has the following meaning: (a) the right to extend the term of this Lease or to renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor;

(b) the right of first refusal to lease the Premises or the right of first offer to lease the Premises or the right of first refusal to lease other property of Lessor on the right of first refusal to lease other property at Lessor; (c) the right to purchase the Premises, on the right of first refusal to purchase the Premises, or the right to purchase other property of Lessor, on the right of first refusal to purchase other property of Lessor, or the right of first refusal to purchase other property of Lessor.

39.2 Options Personal to Original Lessee. Each Option granted to Lessee in this Lease is personal to the original Lessee named in Paragraph 1.1 here-of, and cannot be voluntarily or involuntarily assigned or expressed by any person or entity other than said original Lessee while the original Lessee is in full and actual possession of the Premises and with the intention of thereafter assigning or subletting. The Options, if any, herein granted to Lessee are not assignable, either as a part of an assignment of this Lease or separately on a part and no part may be separated from this Lease in any manner, by reservation or otherwise.

39.3 Multiple Options. In the event that Lessee has any multiple Options to extend or renew this Lease, a later option cannot be expressed unless the prior Options to extend or renew this Lease have been validly expressed.

39.4 Effect of Default on Options.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the lease granting an Option to the contrary: (i) during the period commencing with the giving of any notice of Default under Paragraph 13.1 and continuing until the noticed Default is cured, or (ii) during the period of time any monetary obligation due Lessor from Lessee is unpaid (without regard to whether notice thereof is given Lessee), or (iii) during the time Lessee is in breach of this Lease, or (iv) in the event that Lessor has given to Lessee three (3) or more notices of separate Defaults under Paragraph 13.1 during the twelve (12) month period immediately preceding the exercise of the Option, unless the Defaults are cured.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a)

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's exercise and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation at Lessee's expense within a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice in writing to Lessee), or (ii) Lessor gives to Lessee three (3) or more notices of separate Defaults under Paragraph 13.1 during any twelve (12) month period, whether or not the Defaults are cured, or (iii) if Lessee commits a breach of this Lease.

40. Rules and Regulations. Lessee agrees that it will abide by, and keep and observe all reasonable rules and regulations ("Rules and Regulations") which Lessor may make from time to time for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the industrial Center and their employees.

41. Security Measures. Lessee hereby acknowledges payable to Lessor hereunder does not include the cost at guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same, Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of terrorism.

42. Reservations. Lessor reserves the right, from time to time, to grant, without the consent of Lessee, such easements, rights of way, utility raceways, and dedications which Lessor deems necessary, and to cause the recording of parcel maps and, so long as such easements, rights of way, utility raceways, dedications, maps and restrictions do not reasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement, right, dedication, map or restriction.

43. Performance Under Protest. If at any time a dispute arises as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the obligation on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

44. Authority. If either Party hereto is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor on such authority.

45. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. Offer. Preparation of this Lease by either Lessor or Lessee or Lessor's agent or Lessee's agent and submission of same to Lessor or Lessee shall not be deemed an offer to lease. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. Amendments. This Lease may be modified only in writing, signed by the parties in interest at the time of the modification. The Parties shall amend this Lease from time to time to reflect any adjustments to taxes made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an National insurance company or pension plan lender in connection with the obtaining of normal financing or of the property of which the Premises are a part.

48. Multiple Parties. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such multiple parties shall be the joint and several responsibility of all persons or entities named herein as such to Lessor or Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR YOUR ATTORNEYS REVIEW AND APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY FOR THE POSSIBLE PRESENCE OF ASBESTOS, UNDERGROUND STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKERS OR THEIR CONTRACTORS, AGENTS OR EMPLOYEES AS TO THE LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE

OR THE TRANSACTION TO WHICH IT RELATES; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: \_\_\_\_\_ Executed at: Phoenix, AZ \_\_\_\_\_

On: \_\_\_\_\_ On: 6/1/98 \_\_\_\_\_

By LESSOR:Mr. Art Grandlich d.b.a. By LESSEE Renaissance International Group  
\_\_\_\_\_  
McKellips Corporate Square a Nevada Corporation  
\_\_\_\_\_

By: /s/ A. Granduch By: /S/ William O'Neal  
\_\_\_\_\_

Name Printed: A. Granduch Name Printed: William O'Neal  
\_\_\_\_\_  
Title: Owner Title: Senior Vice President  
\_\_\_\_\_

By: \_\_\_\_\_ By: \_\_\_\_\_

Name Printed: \_\_\_\_\_ Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Address:201 West Apache Trail Address:4840 East Jasmine Street,  
\_\_\_\_\_  
Apache Junction,AZ 85220 Mesa Az, 85205  
\_\_\_\_\_

Telephone:(602) 983-2500 Telephone( ) \_\_\_\_\_

Facsimile:(602) 983-7963 Facsimile: \_\_\_\_\_

BROKER: \_\_\_\_\_ BROKER: \_\_\_\_\_

Executed at: \_\_\_\_\_ Executed at: \_\_\_\_\_

On: \_\_\_\_\_ On: \_\_\_\_\_

By: \_\_\_\_\_ By: \_\_\_\_\_

Name Printed: \_\_\_\_\_ Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

By: \_\_\_\_\_ By: \_\_\_\_\_

Name Printed: \_\_\_\_\_ Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_  
Telephone: (     ) \_\_\_\_\_ Telephone (     ) \_\_\_\_\_  
Facsimile: \_\_\_\_\_ Facsimile: \_\_\_\_\_

NOTE: These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION, 345 S. Figueroa St., N- Los Angeles, CA 90071. (213) 687-8777.

#### ADDENDUM

This ADDENDUM is a part of that certain lease by and between Mr. Art Grandlich, d.b.a. McKellips Corporate Square (Lessor) and Renaissance International Group, Ltd. (RIGL), a Nevada corporation (Lessee) of even date herewith.

#### PRESSES

Per Paragraph 2 of the Lease Agreement, Lessee hereby leases Suite 105 of McKellips Corporate Square, which consists of 16,772 square feet which is a 19.62% portion of the menthe complex which totals 85,464 square feet. Subject Suite shall be delivered to Lessee in the current condition without additional tenant improvements by the Lessor. All HVAC to be in good operating condition. After thirty (30) days, Lessee to be responsible for all I-IVAC operating and maintenance expenses.

#### Rental Schedule

The following rental schedule shall apply during the term of this agreement:

July 1, 1998 until June 30, 1999: \$4,528.44 per month plus applicable rental tax and common area charges.  
July 1, 1999 until June 30, 2000: \$9,224.60 per month plus applicable rental tax and common area charges.  
July 1, 2000 until June 30, 2003: \$9,727.76 per month plus applicable rental tax and common area charges.

Note: In the event that the Lessee does not complete the 6,000 square feet of office space on or before September 30, 1998, the rent shall escalate to \$9,224.60 per month effective October 1, 1998.

#### TENANT

Lessee shall be responsible for constructing all tenant improvements to the Suite in a professional and workmanlike manner pursuant to all applicable and state building codes, at Lessee's sole cost and expense. On or before September 30, 1998, Lessee shall construct a minimum of 6,000 square feet of air-conditioned office area and any demising walls that may be required to subdivide the space. The blueprints of the proposed tenant improvements shall be submitted to the Lessor for review and approval prior to commencement of construction.

#### OCCUPANCY

Lessee shall have occupancy to the Premises upon mutual execution of this agreement to commence Tenant Improvements and begin to move employees into subject property. No rental shall be charged during this period.

#### ASSIGNMENT

Lessee shall have the right to assign the lease to any entity or person owning at least fifty-one percent (51 %) of the stock of RIGL or any subsidiary in

which RIGL owns at least a fifty-one percent (51%) interest,

RIGHT OF FIRST REFUSAL

-----  
Lessee shall have a right of first refusal to lease the remaining premises of Building B as such space becomes available, and upon substantially similar terms as set forth herein. Lessee must lease space in the current condition without additional tenant improvements by the Lessor. Lessee must provide approval within seven (7) days after notification by Lessor that additional space is available.

SIGNAGE

-----  
Lessee shall have the right, at its own expense, to maintain within the interior of the leased Premises (not visible from the exterior) any signs and advertising matter customary or appropriate in the conduct of RIGL's business. Lessee shall have the exclusive right to the use of the exterior surface of the leased Premises for the largest sign allowable by the Lofty of Mesa, which shall be provided at Lessee's expense. Lessor shall have the right to approve Lessee's exterior sign plan, which approval shall not be unreasonably withheld.

HAZARDOUS WASTE

-----  
Lessor hereby represents and warrants to the best of Lessor's knowledge, there is no hazardous waste on or under the property (McKellips Corporate Square).

BROKERAGE

-----  
After the Tenant Improvements are completed and all lien waivers for labor and materials are delivered to the Lessor a leasing commission of five percent (5%) of the total lease consideration (\$25,761) shall be payable by the Lessor. The commission shall be divided equally between Lee & Associates Arizona and Grubb & Ellis and paid on an annual basis on July 1 of each calendar year (\$5,152 per annum).

In the event Grubb & Ellis elects not to collect the commission in annual installments, the Lessor agrees to

OPTION TO EXTEND

-----  
Provided this lease agreement is in full force and effect and neither party is in violation of any terms and conditions of the lease, Lessor hereby grants Lessee an option to extend the lease for an additional five (5) year period. The lease rate for the option period shall be pursuant to fair market value at the time the lease is extended. Lessee must give one hundred twenty (120) days written notice of Lessee's intention to exercise this option.

PARKING

-----  
Lessee shall be entitled to 57 unreserved parking spaces and 3 reserved, covered parking spaces. In the event Lessee wants additional covered parking, Lessee may construct additional covered parking stalls at Lessee's sole cost and expense. Lessor will have the right to approve location of additional covered parking canopy and they shall be designed and constructed in a manner that is similar to the other canopies already located at Muckheaps Corporate Square.

TELEPHONE EQUIPMENT

-----  
Lessee shall be responsible for all telephone equipment and telephone these to subject property.

Exhibit "A"

{GRAPHIC OMITTED}

THIS AMENDMENT TO LEASE (this "Amendment") amends and modifies that certain Lease and Addendum thereto by and between MT. Art Grandlich d/b/a McKellips Corporate Square (Lessor) and Renaissance International Group, Ltd. (RIGI), a Nevada corporation (Lessee) dated 1, 1 998. as follows:

"Lessee shall be responsible for constructing all tenant improvements to the Suite in a professional and workmanlike manner pursuant to all applicable municipal and state building codes, at Lessee's sole cost and expense. No later than 90-days from the date Lessee's plans are approved by the City of Mesa. Lessee shall construct a minimum of 6,000 square feet of air conditioned office area and any walls that may be required to subdivide the space. The blueprints of the proposed tenant improvements shall be submitted to the Lessor for review and approval prior to commencement of construction. In the event that the Lessee does not complete the 6,000 square feet of office space on or before such date of the rent shall escalate to \$9,224.60 per month effective upon the

"Lessor"

Mr. Art Grandlich  
d/b/a McKellips Corporate Square  
By: /s/ Art Grandlich

-----  
Art Grandlich

"Lessee"

Renaissance International Group, Ltd., a Nevada  
By: /s/ Kevin Jones

-----  
Kevin Jones  
Its President

LANDLORD'S CONSENT

This Landlord's Consent is made and entered into in Mesa, Arizona, this day of March 7th 2000, by and between Arthur G. Grandlich, doing business as McKellips Corporate Square (landlord") and YP.Net, Inc., a Nevada corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into a written Standard Industrial Commercial Multi-Tenant Lease, dated June 1, 1998 (LEASE") by the terms of which Landlord rented to tenant approximately 16,772 square feet (leased Premises") as part of the total rental square feet located at the industrial project known as McKellips Corporate Square at 4840 East Jasmine Street, Mesa, Arizona, 85205 ("Project").

B. Landlord was advised by Tenant that Business Executive Services, Inc., a Nevada corporation, (the "Subtenant") had agreed to rent approximately one-half (50%) of the Leased Premises, as described in Exhibit 'A' attached, until June 30,2003 subject to Landlord's approval ("Subtenant's Premises"), and thereupon Tenant submitted plans for improvement of the space intended to be leased to the Subtenant, and received Landlord's tentative approval pending submission to Landlord of a written Sublease Agreement between Tenant and Subtenant, which was subsequently executed and dated October 1,1999, and thereafter submitted to Landlord. A true copy of the Sublease Agreement is attached as Exhibit "B".

C. Upon completion of the tenant's improvement for the Subtenant's Premises, the Subtenant took occupancy of the Subtenant's Premises, and Tenant now seeks formal approval of Landlord to the foregoing actions taken by Tenant and Subtenant, and to the Sublease Agreement executed by them. Exhibit "C" attached represents the complete improvements to the Subtenant's premises.

Now therefore in consideration of the mutual promises of the parties and other valuable consideration the parties hereto agree as follows:

1. RECITALS. All of the Recitals are deemed to be accurate and are -----  
hereby Incorporated into this Agreement.

2. Consent and Effective Date. Landlord does hereby consent to the -----  
Sublease of the Subtenant's Premises pursuant to the terms and conditions of the Sublease Agreement dated October 1,1999, subject however to all of the terms and conditions set forth in this Landlord's Consent.

3. Tenant's Liability for improvements and Payment of Rent. At all -----  
times Tenant shall remain liable for payment of all rent, and all other payments that may be or become due and payable to Landlord pursuant to said Lease, and for the performance of all other actions undertaken to be performed by Tenant under said Lease respecting the use and occupancy of the Leased Premises. Nothing in the Consent shall be held or construed to release the Tenant from any liability whatsoever under the Lease or from Tenant's covenants agreements or obligations under the Lease. Any termination of the Lease, or of any of Tenant's rights to possession under the Lease, shall likewise terminate all of the Subtenant's rights to possession of the Subtenant's Premises. Tenant shall be responsible and liable for any and all improvements of Leased and Subtenant's Premises as may be required by City, State or County codes.

4. Subtenant's Liability For And Payment of Rent. Subtenant shall at -----  
all times be responsible for the performance of all actions undertaken to be performed by Subtenant with respect to the use and occupancy of the Leased Premises as set forth in the Lease, but in no event shall Subtenant be or become responsible or liable for the payment of Tenant's rent for the Lease premises. In all events Subtenant shall make all of its rental payments for the Subtenant's Premises directly to the Tenant.

5. Subordination of Sublease. At all times the Sublease entered into

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between Tenant and Subtenant shall be and remain subordinate to the Lease between Landlord and Tenant, and in no way shall Landlord be bound by any of the terms and conditions of the Sublease. In the event that Tenant shall fail to pay the rent for the Lease Premises, the Landlord may take all action provided for in the Lease pertaining to defaults by Tenant irrespective of whether Subtenant has paid its rental payments under the Sublease Agreement In this connection, Subtenant shall have the right but not the obligation to cure Tenant's defaults by making the Tenant's rental payments directly to Landlord, or by taking other actions to cure Tenant's default, in order to maintain the Lease in good standing.

6. Effective Date. Landlord agrees that this Consent may relate back to

-----  
October 1, 1999, the date on which Tenant and Subtenant signed their Sublease Agreement, but nothing in this Consent shall be deemed to be a waiver of Landlord's rights to reject future assignments by Tenant. Tenant agrees to pay Landlord reasonable attorney's fees.

This Consent was executed on the day and year first above mentioned.

TENANT:  
Yp.Net, Inc., a Nevada Corporation

LANDLORD:  
Arthur G. Grandlich  
D.b.a. McKellips Corporate Square

By /s/ Greg Crane

/s/ Arthur G. Grandlich

-----  
Greg Crane, Director of Operations

-----  
Arthur G. Grandlich

EXHIBIT A

GRAPHIC OMITTED

EXHIBIT B

SUBLEASE AGREEMENT

1. PARTIES.  
-----

This Sublease Agreement ("Sublease") is made, entered into and deemed to be effective this first day of October, 1999, by and between RIGL-CORPORATION, a Nevada corporation ("Sublessor") and BUSINESS EXECUTIVES SERVICES, INC., a Nevada corporation ("Sublessee").

2. LEASE.  
-----

Sublessor is the Lessee under a written Standard Industrial/Commercial Multi-Tenant Lease dated June 1, 1998 (the "Lease") whereby Art Grandlich d.b.a. McKellips Corporate Square, ("Lessor") leased to Sublessor the real property located in the City of Mesa, County of Maricopa, State of Arizona, described as Suite 106, 4840 East Jasmine ("Master Premises"). The Lease is attached hereto as Exhibit A" and by this reference made a part hereof.



3. PREMISES.

-----

Sublessor hereby subleases to Sublessee that portion of the Master Premises as described in Exhibit "B" attached hereto (the "Premises"). The Sublessee accepts the Premises and agrees to be bound by the terms and conditions of the Lease as it pertains to the use and occupancy of the Premises, but not as to the payment of rent or other moneys required to be paid by Sublessor.

4. WARRANTY BY SUBLESSOR.

-----

Sublessor warrants and represents to Sublessee that the Lease has not been amended or modified except as expressly set forth herein, that Sublessor is not now and as of the commencement of the Term hereof will not be, in default or breach of any of the provisions of the Lease, and that Sublessor has no knowledge of any claim by Lessor that Sublessor is in default or breach of any of the provisions of the Lease.

5 TERM.

-----

a) The Term of this Sublease shall commence on October 08, 1999 or date of available occupancy whichever comes later ("Commencement Date") subject to terms and conditioned upon receipt of Lessor's written consent within 30 days from the date of this Agreement, Sublessor shall forthwith submit this Sublease to the Lessor for consent, and will use its best efforts in good faith to obtain such consent and will deliver to Sublessee a signed copy of Lessor's written consent.

2

b) if Sublessor does not deliver possession to the Sublessee on the Commencement Date due to failure of Lessor to render Its consent to this Sublease, the Sublessor shall not be subject to any liability for such failure, the Termination Date shall not be extended by the delay, and the validity of the Sublease shall not be impaired, but rent shall abate until delivery of possession.

c) If Sublessor fails to deliver possession to Sublessee due to Lessor's failure to consent to this Sublease on or before such effective date, this Sublease shall be canceled, in which case all consideration previously paid by Sublessee to Sublessor on account of this Sublease shall be returned to Sublessee, this Sublease shall thereafter be of no further force or effect, and Sublessor shall have no liability to Sublessee on account of such delay or cancellation.

d) If Sublessor permits Sublessee to take possession prior to the Commencement Date, such early possession shall not advance the Termination Date and shall be subject to the provisions of this Sublease, including, without limitation, the payment of rent

6. RENT.

-----

Minimum Rent. Sublessee shall pay to Sublessor as rent the sum of  
-----  
\$1.00 per year for the entire Term of this Sublease without deduction, setoff, notice, or demand, at RIGL Corporation, 4840 E. Jasmine, Suite 106, Mesa, Arizona 86205, or at such other place as Sublessor shall designate from time to time by notice to Sublessee. Sublessee shall also pay and be responsible for Its pro rata share (based on square feet of occupancy) of Sublessor's" operating expenses, including utilities and common area expenses, but shall not be liable for payment of Sublessor's rent obligations.

7. SECURITY DEPOSIT.

-----

Sublessee shall not be required to deposit a security deposit.

8. USE OF PREMISES.

-----  
The Premises shall be used and occupied only for business office purposes and for no other use or purpose.

9. ASSIGNMENT OF SUBLETTING.  
-----

Sublessee shall have the right to assign this Sublease or sublet all or any part of the premises without the prior written consent of Sublessor (with the consent of Lessor, if such is required under the terms of the Lease).

10. OTHER PROVISIONS OF SUBLEASE.  
-----

All applicable terms and conditions of the Lease, Exhibit IA, except for the payment of Sublessor's rent or other payment to Lessor, are incorporated into and made a part of this Sublease as if Sublessor were the lessor thereunder, and Sublessee the lessee thereunder, and the Premises the Master Premises; provided however, that nothing in this Sublease shall be deemed to create a partnership or Joint Venture between Sublessor and Sublessee not shall Sublessee be deemed to guarantee the performance by Sublessor of any terms or provisions of the Lease.

11. ATTORNEY'S FEES.  
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If Sublessor or Broker shall commence an action against the other arising out of or in connection with this Sublease, the prevailing party shall be entitled to recover its costs of suit and reasonable attorney's fees.

12. AGENCY DISCLOSURE.  
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Sub lessor and Sublessee each warrant that they have dealt with no real estate broker in connection with this Sublease.

13. NOTICES.  
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All notices and demands which may or are to be required or permitted to be given by either party on the other hereunder shall be in writing and be sent by United States Mail, postage prepaid, addressed to the Sublessor or Sublessee as may be applicable at the address herein below, or to such other place as either party may from time to time designate in a written notice.

To Sublessor: RIGL Corporation  
4840 E. Jasmine, Suite 106  
Mesa, Arizona 85206  
Attention: William D. O'Neal, Esq.

To Sublessee: Business Executive Services, Inc.  
4840 E. Jasmine, Suite 111  
Mesa, Arizona 85205  
Attention: Greg Crane - Agent

With a Copy to: Burton M. Bentley, Esq.  
7878 N. 16th Street, Suite 110  
Phoenix, Arizona 85020

14. COMPLIANCE.  
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The parties hereto agree to comply with all applicable federal, state and local laws, regulations, codes, ordinances and administrative orders having jurisdiction over the parties, property or the subject matter of this Agreement, including, but not limited to, the 1964 Civil Rights Act and all amendments thereto, the Foreign Investment in Real Property Tax Act, the Comprehensive

Environmental Response Compensation and Liability Act, and The Americans With Disabilities Act.

DATED: 10/1 , 1999  
-----

SUBLESSOR:

RIGL Corporation, a Nevada corporation

By: /s/ Kevin L. Jones

-----  
Kevin L. Jones, President

SUBLESSEE

Business Executive Services, Inc., a Nevada corporation

By: /s/ Mike Bloomquist

Its: Pres

-----  
Mike Bloomquist

4

GRAPHIC OMITED

EXHIBIT C

FIRST AMENDMENT TO LOAN AGREEMENT

This First Amendment To Loan Agreement ("Amendment") is made and entered into at Maricopa County, Arizona, this 31, day of March 2000, by and between YP.Net, Inc., a Nevada corporation, formerly RIGL Corporation ("YP.NET") and Joseph and Helen Van Sickle (collectively "Lender").

RECITALS

A. On or about May 26, 1999, a certain Loan Agreement was executed by the parties above named in connection with a loan of \$2,000,000 made by Lender to YP.NET (then known as RIGL Corporation and whose name was changed to YP.Net, Inc. on or about October 1, 1999) which loan is evidenced by a certain Promissory Note and Stock Pledge Agreement executed concurrently with the Loan Agreement (collectively "Package").

B. The Package is still in full force and effect according to the respective terms and conditions therein contained in each of said documents making up the Package.

C. The Promissory Note is now past due, no default has been declared by Lender, and to prevent the declaration of default the parties desire to extend the time of payment provided for in said Promissory Note.

D. The Security Agreement executed concurrently with execution of documents comprising the Package is also deemed to be in full force and effect according to its terms, and specifically provides for "all extensions" to be regarded as part of the original Promissory Note.

E. The Form UCC-I filed and recorded as required by law in the State of Arizona remains in full force and effect and is deemed by the parties hereto to be and remain a first priority lien against all of the assets of YP.NET included within the scope of Form UCC-I filed of record. To insure that priority, revised UCC Form 1 and 2 in the form attached will be filed of record.

F. By this Amendment, it is the intention of the parties to permit the balance of \$1,400,000 yet remaining unpaid on the Promissory Note to be paid in accordance with this Amendment by extended installment payments, and the annual interest rate to be raised from 8% as stated in the Promissory Note to 10% on the remaining unpaid balance.

G. Other than for the provisions for extended payments and an increased rate of annual interest provided for in this Amendment, each and all of the terms, conditions and provisions of all documents making up the Package, as well as the Security Agreement and Form UCC-1 shall be and remain in full force and effect, without amendment thereto.

Page 1 of 3

In consideration of the mutual promises of the parties and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the parties hereto, it is agreed as follows:

1. Recitals. Each and all of the Recitals above shall be deemed to be true and correct and are hereby incorporated as a part of this Agreement as though set forth fully herein.

2. Payment Schedule.

a) The principal balance of the Promissory Note is \$1,400,000 as of the date hereof, and all interest accrued through January 24, 2000 has been paid in full.

b) The principal unpaid balance shall bear interest at the rate of ten percent (10%) per annum, default interest shall remain 20% per annum.

c) Concurrently with the execution of this Amendment YP.Net, Inc. will pay Lender the sum of \$100,000 as for the February 2000 principal payment, plus the sum of \$13,611.12 as and for accrued interest

through February 24, 2000.

- d) YP.NET shall make payments to Lender of not less than one hundred thousand dollars (\$100,000) plus all unpaid accrued interest per month commencing March 24, 2000, and on the 24th day of each succeeding month, all principal and accrued interest to be paid in full on or before March 24, 2001.
- e) YP.NET agrees to execute from time such other agreements or documents as shall reasonably be requested by Lender to give effect to this Amendment.

3. Issuance of Certificates. YP.NET shall cause all of the RIGL Corporation Common Stock share Certificates previously issued with the Stock Pledge Agreement to be reissued indicating YP.Net, Inc. as the issuing corporation, and the certificate for 1,000,000 Shares previously issued by RIGL to Van Sickle shall also be replaced by a YP.Net.lnc. certificate.

4. No Compromise of Position. Nothing herein contained shall be deemed by the parties hereto to compromise or adversely affect the Lender's rights to enforce any of the documents making up the Package or the Security Agreement or Financing Statement hereto executed by YP.NET, except as specifically provided for in this Amendment relating to the Promissory Note maturity date and rate of interest.

5. Signatures. Angelo Tullo, the Chairman of the Board of YP.NET and DeVal Johnson, corporate Secretary of YP.NET, have been authorized to execute this Amendment on behalf of YP.NET.

The parties hereto have executed this Agreement as of the date first above written.

Page 2 of 3

YP.NET, INC.

By: /s/ Angelo Tullo Chairman

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Angelo Tullo  
Chairman of the Board of Directors

By: /s/ DeVal Johnson Secretary

-----  
DeVal Johnson Secretary

Lender

/s/ Joseph Van Sickle

-----  
Joseph Van Sickle

/s/ Helen Van Sickle

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Helen Van Sickle

Page 3 of 3  
LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") is entered into as of the 25th day of May, 1999 by and between RIGL CORPORATION, a Nevada corporation ("Borrower"), and JOSEPH and HELEN VAN SICKLE ("Lender"), with reference to the following facts:

WITNESSETH:

WHEREAS, Borrower desires to borrow \$2,000,000 from Lender for purposes of Financing the acquisition of Telco Billing, Inc., a Nevada corporation ("TBI").

WHEREAS, Lender desires to make such loan to Borrower under the terms and

conditions specified in this Agreement.

NOW, THEREFORE, in consideration of the foregoing facts and the mutual covenants contained herein, Borrower and Lender hereby agree as follows:

ARTICLE I - THE LOAN

- 1.1 The Loan. Lender hereby agrees to make, and Borrower hereby agrees to  
-----  
accept, a loan of \$2,000,000 (the "Loan") under the terms and conditions set forth in this Agreement and in certain documents to be executed and delivered by Borrower hereunder. The proceeds of the Loan are to be used by Borrower to finance the acquisition of TBI which is scheduled for closing on June 1, 1999.
- 1.2 Note. The Loan shall be evidenced by a Promissory Note of even date  
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herewith in the amount of the Loan (the "Note"). Payment of the Loan will be secured by a Stock Pledge Agreement (the "Stock Pledge") from Borrower, as Pledgor, and Lender, as Pledgee, which will constitute a priority lien on the Pledged Collateral, as defined in the Stock Pledge.
- 1.3 Maturity. The outstanding balance of the Loan, plus accrued and unpaid  
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interest thereon, shall be due and payable on the date which is six (6) months after the date of this Agreement (the "Maturity Date").
- 1.4 Place of Payments. All payments, whether of principal, interest or other  
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amounts, to be made by Borrower to Lender hereunder shall be paid prior to 11:00 a.m. (Eastern Standard Time) on the date upon which payment is to be made, in lawful money of the United States of America, to Lender at 664 Ocean Road, Vero Beach, Florida 32963, or at such other place as from time to time may be designated by Lender. If the day upon which any payment is to be made is not a business day in the City of Vero Beach, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing any interest with respect to such payment.
- Page -1-
- 1.5 Prepayment. Borrower may make prepayments of principal under the Note at  
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any time, or from time to time, in whole or in part, without penalty provided that all previously matured interest and other charges accrued to the date of prepayment are also paid in full. Notwithstanding any partial prepayments of principal under the Note, there will be no extension in the Maturity Date or decrease in the amount of the scheduled payments due under the Note, unless Lender, in its sole and absolute discretion, agrees in writing to such change.
- 1.6 Loan Fee. Borrower agrees to pay Lender a loan fee of 1,000,000  
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restricted shares of RIGL Corporation Common Stock upon the receipt of funds by Borrower (the "Loan Fee"). Such shares shall be free of any lien or encumbrances, fully paid and non-accessible.
- 1.7 Past Due Principal and Interest. Any amount of principal or interest on  
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the Loan or any fee or expense or other amount payable hereunder or under the Note, the Stock Pledge or any other Loan Documents which is not paid when due shall, to the extent permitted by law, bear interest from such due date until paid at the rate of Twenty Percent (20%) per annum (the "Default Rate"), which interest shall be immediately due and payable. In addition, the Loan shall bear interest at the Default Rate at any time upon and during the continuance of any Event of Default.
- 1.8 Acceleration Upon Default. Upon the occurrence of an Event of Default  
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hereunder, under the Note, the Stock Pledge or any of the other Loan Documents, the holder of the Note or any part thereof shall have the option, without demand or notice, of declaring the principal balance thereof and the interest accrued thereon to be immediately due and payable.

1.9 Late Payment Charge. Borrower agrees that it would be extremely

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difficult and impractical to ascertain Lender's actual damages if any installment of principal or interest is not paid when due. Therefore, Borrower agrees to pay immediately to Lender in each such event an amount equal to five percent (5%) of such late installment. Borrower agrees that under the circumstances existing as of the date this Agreement is executed, such late charge represents a reasonable estimate of the administrative costs and expenses which Lender will incur as a result of such late payment. The provisions of this paragraph are intended to govern only the determination of damages in the event of a breach in the performance of the obligation of Borrower to make timely payments hereunder. Nothing herein shall be construed as an express or implied agreement by Lender to forbear in the collection of any delinquent payment, or be construed as in any way giving Borrower the right, express or implied, to fail to make timely payments hereunder, whether upon payment of such damages or otherwise. The right of Lender to receive payment of such liquidated and actual damages, and receipt thereof are without prejudice to the right of Lender to collect such delinquent payments and any other amounts provided to be paid hereunder or under any security for the Note, shall not constitute a waiver of any default by Borrower, and shall not in any way prejudice or prevent Lender from enforcing or exercising any or all of its rights and remedies against Borrower or any other party.

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1.10 No Deductions. All payments of principal and interest on the Loan shall

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be made without the right of set-off and without deduction of any present and future taxes, levies, duties, imposts, deductions, charges or withholdings imposed by any existing or future law, rule, regulation, treaty, directive or requirement whether or not having the force of law, which amounts shall be paid by Borrower. Borrower will pay the amounts necessary such that the gross amount of the principal and interest received by Lender is not less than that required by this Agreement. All stamp and documentary taxes shall be paid by Borrower. If, notwithstanding the foregoing, Lender pays such taxes, Borrower will reimburse Lender for the amount paid, as additional interest, within five (5) days of Lender's demand for payment. Borrower will furnish Lender official tax receipts or other evidence of payment of all such amounts.

#### ARTICLE 2- INTEREST RATE PROVISIONS

2.1 Interest Rate. Borrower shall pay interest on the Loan at a rate per

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annum equal to Eight Percent (8%). Interest shall accrue daily, shall be calculated based upon a 360 day year (which will result in more interest accruing than if interest accrued on the basis of a 365 day year) and shall be payable monthly, in arrears together with payments of principal, subject to and in accordance with the terms, covenants and provisions of the Note.

2.2 Savings Clause. If for any circumstances whatsoever, interest hereunder

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would otherwise be payable to Lender at a rate in excess of that permitted under applicable law, then, the interest payable to Lender shall be reduced to the maximum amount permitted under applicable law, and if for any circumstance Lender shall ever receive anything of value deemed interest by applicable law which would exceed interest at the highest lawful rate, an amount equal to any excessive interest shall be applied to the reduction of the principal amount owing under the Note, and the obligations owing under this Loan Agreement and the Stock Pledge and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of the Note and the obligations owing under this Loan Agreement and the Stock Pledge, such excess shall be refunded to Borrower. All fees, charges, goods, things in action or any other sums or things of value (collectively, referred to as the "Additional Sums") paid or payable by Borrower, whether pursuant to the Note, this Loan Agreement or the Stock Pledge or any other document or instrument in any way pertaining to the Loan which, under the laws of the State of Arizona may be deemed to be interest with respect to the Loan shall, for the purpose of any laws of the State of Arizona which may limit the maximum amount of interest to be charged with respect to the Loan, be payable by Borrower as, and shall be

deemed to be, additional interest, and for such purposes only, the agreed upon and contracted for rate of interest shall be deemed to be increased by the Additional Sums.

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ARTICLE 3- REPRESENTATIONS AND WARRANTIES OF BORROWER

Borrower hereby represents and warrants to Lender as follows, which representations will remain effective until payment in full of all amounts owing under the Loan:

3.1 Organization: Existence. Borrower is a corporation, duly organized,  
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validly existing and in good standing under the laws of the State of Nevada.

3.2 Authority. Borrower has the power and authority to execute and deliver  
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this Agreement, the Note, the Stock Pledge and all other documents and instruments required hereunder to be executed by Borrower and to comply with the terms hereof and thereof. All of such documents have been duly authorized, executed and delivered by Borrower and constitute the legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms.

3.3 Loan Fee. Borrower has, and will have, the authority to -deliver the  
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Loan Fee upon the Closing.

3.4 Pledged Collateral. Borrower has, and will have, the authority to pledge  
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the Pledged Collateral, free of any liens and encumbrances. The Pledged Collateral shall be fully paid and non-accessible upon the Closing.

3.5 No Violation. To the best of its knowledge after diligent inquiry,  
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Borrower is not in violation of any agreement or instrument to which it is a party or to which any of its property is subject or of any statute, rule, regulation, judgment, decree, order, franchise or permit applicable to Borrower. Neither the entry into nor the performance of this Agreement, the Note, the Stock Pledge or any other instrument executed by Borrower pursuant hereto or thereto will result in any violation of, or be in conflict with, or result in the creation of any lien or encumbrance (other than those contemplated in this Agreement) upon any of the properties or assets of Borrower pursuant to, or constitute a default under, any indenture, contract, agreement, or instrument to which Borrower is a party or to which any of its property is subject or constitute a violation of any permit, judgment, decree, order, statute, rule or regulation applicable to Borrower.

3.6 Actions. There is no action, proceeding or investigation pending or  
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threatened (or any basis therefor) which questions, directly or indirectly, the validity of this Agreement, the Note, the Stock Pledge or any other document pertaining to the Loan or any action taken or to be taken pursuant hereto or thereto, or which affects Borrower or the Pledged Collateral.

3.7 Statements. Neither this Agreement, nor any document, certificate or  
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statement furnished to Lender in connection with the Loan, Borrower or the Pledged Collateral, whether or not referred to herein, contains any material misrepresentation or omits to state a material fact.

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3.8 Governmental Regulations. Borrower is not subject to regulation under  
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the Investment Company Act of 1940, the Federal Power Act, the Public Utility Holding Company Act of 1935, the Interstate Commerce Act or any federal or state statute or regulation limiting its ability to incur indebtedness for money borrowed.



3.9 Securities Activities. Borrower is not engaged principally or  
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significantly in the business of extending credit for the purpose of purchasing or carrying any "Margin Stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System in effect from time to time) and not more than twenty-five percent (25%) of the value of Borrower's assets consists of such Margin Stock. No part of the proceeds of the Loan will be used to purchase or carry any Margin Stock or for any other purpose that violates the provisions of Regulations U or X of the Board of Governors of the Federal Reserve System.

ARTICLE 4- CONDITIONS PRECEDENT TO THE LOAN

Lender's obligation to make the Loan to Borrower is conditioned upon each Of the following occurring prior to May 25, 1999 (the "Closing"):

4.1 Loan Documents. Borrower shall have executed and delivered to Lender the  
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Note, the Stock Pledge and this Agreement. The documents described in this Section 4.1 together with the other documents executed and delivered for the benefit of Lender in connection with the Loan, are herein called the "Loan Documents."

4.2 Authorizing Documents. Borrower shall have delivered to Lender and  
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Lender shall have approved copies of all necessary actions taken by Borrower to authorize the execution, delivery and performance by Borrower of this Agreement, the Note, the Stock Pledge and all other Loan Documents.

4.3 Compliance With Loan Documents. All of the representations and  
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warranties of Borrower in Article 3 above shall be true and correct, and Borrower shall be in compliance with all applicable covenants set forth in Article 6 below. All documents and materials required by Lender shall be satisfactory in form and substance to Lender and its counsel.

ARTICLE 5- DISBURSEMENT

5.1 Disbursement. Upon compliance by Borrower with all of the terms and  
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conditions of this Agreement, and so long as no Event of Default, or event has occurred or state of facts exist which with notice or lapse of time or both, would become an Event of Default, Lender will advance the proceeds of the Loan upon the Closing in accordance with wiring instructions provided by Borrower.

5.2 Conditions Solely for the Benefit of Lender. All conditions of Lender's  
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obligation to make the Loan are solely for the benefit of Lender, its successors and assigns. No other person shall have standing to require satisfaction of any condition, and no other person shall be deemed a beneficiary of any condition or have any right to rely on any determination made by Lender, any and all of which may be freely waived in whole or in part by Lender in Lender's sole discretion.

ARTICLE 6- COVENANTS OF BORROWER

In addition to the covenants contained elsewhere in this Agreement and in the other Loan Documents, Borrower agrees as follows:

6.1 Inspection: Books and Records. Borrower shall keep, at its principal  
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place of business, the records, books of accounting and all other documents, reports and papers relating to the Pledged Collateral. Lender, or any agent of Lender, shall be entitled, at any reasonable time, to inspect all records relating thereto, and the books and other financial records of Borrower and Borrower shall cooperate with Lender or such agent in enabling Lender to accomplish such inspection and permit Lender or such agent to make such copies as Lender or such agent may request. This authority is for Lender's protection only and Lender shall not be deemed to have assumed any responsibility to Borrower or any third party as a result

of any such action.

6.2 Title Exceptions. Borrower shall not create any liens or encumbrances  
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upon the Pledged Collateral without the prior written consent of Lender.

6.3 Lenders Expenses. Subject to the further provisions of this Section 6.3,  
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Borrower shall pay all reasonable expenses, if any, directly or indirectly incurred in connection with the Loan and its documentation and closing (the "Loan Costs"). Notwithstanding the foregoing, Borrower's liability to pay the Loan Costs shall not exceed \$2,000.

6.4 Further Assurances. Borrower will, at the request of Lender, execute,  
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deliver and furnish such documents or take such further action as Lender may deem necessary or desirable to evidence the Loan, perfect the security therefor, or otherwise carry out the terms of the Agreement and any of the other documents delivered to Lender in connection herewith.

6.5 No Further Liens. All common stock subject to the lien of the security  
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interest granted to Lender in the Stock Pledge shall be fully paid for by Borrower and no security interest, lien or other encumbrance, other than that granted to Lender shall exist thereon.

6.6 Removal of Liens. If at any time an encumbrance, lien or charge is  
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placed or claimed upon the Pledged Collateral, Borrower shall satisfy and remove such encumbrance, lien or charge by bonding or by other method satisfactory to Lender. In addition to all other rights and remedies of Lender referred to in this Agreement, if such encumbrance, lien or charge is not removed within thirty (30) days, Lender, at its sole discretion, may pay off the same and Borrower shall reimburse Lender within five (5) days of Lender's demand for payment.

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6.7 No Transfer or Further Encumbrance. So long as any amount or obligation  
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is outstanding by Borrower to Lender under any of the Loan Documents, Borrower will not, without the prior written consent of Lender:

a. Further Encumbrance. Create, incur, assume, permit or suffer to  
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exist, after knowledge of the existence thereof, pledge, lien, hypothecation, charge (fixed or floating), security interest or other encumbrance whatsoever on the Pledged Collateral except the encumbrance created by and permitted by the Stock Pledge; or

b. Transfer of Property. Sell, convey, or otherwise transfer the  
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Pledged Collateral or any portion thereof without the prior written consent of Lender.

ARTICLE 7- DEFAULTS BY BORROWER

7.1 Defaults by Borrower. The occurrence of any one or more of the following  
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shall constitute an "Event of Default":

a. Failure to make any payment when due in accordance with the terms of the Note, the Stock Pledge, this Loan Agreement or any other document executed in connection with the Note, which failure is not cured within five (5) days after written notice thereof by Lender to Borrower;

b. Failure to perform any of the other terms, covenants and conditions in the Note, the Stock Pledge, this Loan Agreement or any other instrument now or hereafter constituting additional security for the Loan and after expiration often (10) days from the giving of notice of such failure by Lender to Borrower without such failure having been cured, unless such failure is of a nature which cannot reasonably be

cured within ten (10) days (which determination shall be made by Lender in its sole discretion), in which event, the failure to immediately commence to cure such failure and thereafter diligently pursue such cure to completion within a reasonable period of time not to exceed, however, twenty (20) days after written notice thereof by Lender to Borrower, it being understood and agreed that Lender may undertake any action permitted under this Loan Agreement or the Stock Pledge, during the foregoing cure period if such action is deemed to be reasonably necessary to protect or preserve any portion of the Pledged Collateral; provided, however, that no notice and opportunity to cure any such failure shall be required if in the sole discretion of Lender the failure is of a nature which cannot be cured;

- c. Breach of any warranties or representations made by Borrower to Lender, including without limitation, those representations and warranties contained herein or in the Stock Pledge, which breach is not cured within ten (10) days from the giving of notice of such breach by Lender to Borrower, unless such breach is of a nature which cannot reasonably be cured within ten (10) days (which determination shall be made by Lender in its sole discretion), in which event, the

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failure by Borrower to immediately commence to cure such breach and thereafter diligently pursue such cure to completion within a reasonable period of time not to exceed, however, twenty (20) days after written notice thereof by Lender to Borrower, it being understood that Lender may undertake any action permitted under this Loan Agreement or the Stock Pledge, during the foregoing cure period if such action is deemed to be reasonably necessary to protect or preserve any portion of the Pledged Collateral; provided, however, that no notice and opportunity to cure any such breach shall be required if, in the sole discretion of Lender, the failure is of a nature which cannot be cured;

- d. Institution of foreclosure or other proceedings to enforce any subordinate security interest or other lien or encumbrance of any kind upon the Pledged Collateral or any portion thereof,
- e. The occurrence of any of the events described in Section 6.7 without Borrower obtaining the prior written consent of Lender;
- f. The occurrence of an Event of Default under the Note, the Stock Pledge, this Loan Agreement or any other agreement given by Borrower to Lender for the purpose of further securing any indebtedness or obligation secured by the Stock Pledge; or
- g. Should Borrower or any successors or assigns thereof:
  - i. File a petition under any chapter of the Federal Bankruptcy Code or any similar law, state or federal, whether now or hereafter existing; or
  - ii. In any involuntary bankruptcy action commenced against it: (1) file an answer admitting that it is generally not paying its debts as such debts become due, (2) fail to obtain a dismissal of such action within forty-five (45) days of its commencement, (3) convert the action from one chapter of the Federal Bankruptcy Code to another chapter of the Federal Bankruptcy Code, or (4) be the subject of an order for relief in such bankruptcy action; or
  - iii. Have a "custodian", as that term is defined in the Federal Bankruptcy Code, appointed for it, or have any court take jurisdiction of its property, or substantially all thereof, in any voluntary proceeding for the purpose of reorganization, arrangement, dissolution, or liquidation, if such custodian shall not be discharged or if such jurisdiction shall not be relinquished, vacated or stayed on appeal with forty-five (45) days of the appointment; or
  - iv. Make an assignment for the benefit of its creditors; or

- v. Consent to the appointment of a "custodian", as that term is defined in the Federal Bankruptcy Code, of all of its property or substantially all thereof.

7.2 Remedies. Upon the occurrence of any Event of Default, Lender shall be -----  
entitled to declare the Note immediately due and payable and exercise all other remedies provided to Lender under the Stock Pledge or any other document or assignment evidencing or securing the Loan or otherwise available at law, in equity, by statute or set forth herein, including, without limitation, the appointment of a receiver or the institution of a suit in equity or other appropriate proceedings for specific performance or an injunction against a violation of this Loan Agreement or the Stock Pledge. All such remedies shall be cumulative and the election of one shall not be exclusive of any other remedy.

ARTICLE 8- MISCELLANEOUS PROVISIONS

8.1 Notice. Any notice given hereunder shall be given in the manner -----  
prescribed in the Stock Pledge.

8.2 No Assignment. Borrower shall not assign any of its rights under this -----  
Agreement without the prior written consent of Lender and any purported assignment in violation of this Section without such prior written consent shall be void.

8.3 Time. Time is of the essence hereunder.  
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8.4 Headings. The captions and headings of various sections of this -----  
Agreement are for convenience only and are not to be considered as defining and limiting in any way the scope or intent of the provisions hereof.

8.5 Successors. This Agreement shall be binding upon and shall inure to the -----  
benefit of all successors and permitted assigns of the parties.

8.6 No Partnership: Indemnity. Lender shall not be deemed to be a partner or -----  
joint venturer with Borrower in connection with the Loan or any action taken under this Agreement and Borrower shall indemnify, hold Lender harmless and defend Lender for, from and against any and all loss, cost, damage, expense or liability, including reasonable attorneys' fees, arising out of or resulting from their relationship. The provisions of this Section shall survive the repayment of the Loan.

8.7 Effectiveness. This Agreement shall continue in full force and effect so -----  
long as Borrower remains obligated to Lender under this Agreement, the Note, the Stock Pledge or the other Loan Documents.

8.8 No Waiver. No failure on Lender's part at any time to require the -----  
performance by Borrower of any term of this Agreement shall in any way affect Lender's rights to subsequently enforce such term, nor shall any

omission on Lender's part to notify Borrower of any event which with notice or the passage of time or both would constitute an Event of Default be construed as a waiver of such Event of Default or any right or remedy of Lender, nor shall any waiver by Lender of any term hereof be taken or held to be a waiver of any other term hereof.

8.9 Governing Law. This Agreement shall be interpreted and enforced under -----  
the laws of the State of Arizona. Borrower consents to the personal jurisdiction of the appropriate state or federal court located in Phoenix, Arizona.

8.10 Waiver of Right to Trial by Jury. To facilitate each party's desire to  
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resolve disputes in an efficient and economical manner, each party to this Agreement hereby expressly waives any right to trial by jury of any claim, demand, action or cause of action (i) arising under this Agreement or any other Loan Document, or (ii) in any connected with or related or incidental to the dealings of the parties hereto or any of them with respect to this Agreement or any other Loan Document, or the transactions related -hereto or thereto, in each case whether now existing or hereafter arising, and whether arising in contract or tort or otherwise. Each party hereby agrees and consents that any such claim, demand, action or cause of action shall be decided by court trial without a jury, and that any party to this Agreement may file an original counterpart or a copy of this Section with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

8.11 Complete Agreement. The parties hereto hereby represent and acknowledge  
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that the Loan Documents are fully integrated and contain the complete understanding and agreements of the parties with respect to the Loan and all matters relative thereto and accurately reflect the intentions of the parties. All prior agreements, negotiations, drafts and other extrinsic communications relating thereto have been incorporated into or are superseded by the terms of the Loan Documents and have no further significance or evidentiary effect.

8.12 Counterparts. This Agreement may be executed in one or more  
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counterparts, each of which together shall constitute one and the same instrument.

8.13 Attorneys' Fees. In the event that an attorney be employed or expense  
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be incurred to compel payment of the Loan or any portion thereof or in connection with any default hereunder or under the Note or Stock Pledge, whether or not any action or proceeding is commenced by Lender, Borrower promises to pay all such expenses and attorneys' fees, including but not limited to, attorneys' fees incurred in any bankruptcy (including, without limitation, any action for relief from the automatic stay of any bankruptcy proceeding) or judicial or nonjudicial foreclosure proceedings.

8.14 Interpretation. In this Agreement and the other Loan Documents,  
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whenever the context so requires, the masculine gender includes the feminine and/or neuter and the neuter includes the feminine and/or masculine and the singular number includes the plural. In this Agreement and the other Loan Documents, the use of the word "or" is not exclusive and the use of the word "including" shall not be deemed to limit the generality of the term or clause to which it has reference, whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar impact) is used with reference thereto.

IN WITNESS WHEREOF, Borrower and Lender have executed this Loan Agreement as of the date first above written.

BORROWER:

RIGL CORPORATION, a Nevada corporation

By: /s/ Kevin Jones  
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Kevin Jones

Its: President

LENDER

/s/ Joseph Van Sickle

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Joseph Van Sickle

/s/ Helen Van Sickle

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Helen Van Sickle

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STOCK PLEDGE AGREEMENT

This STOCK PLEDGE AGREEMENT (this "Agreement"), dated as of May 25th, 1999, by and between RIGL CORPORATION, a Nevada corporation having an office at 4840 E. Jasmine Street, Suite 105, Mesa, Arizona 85205 (the "Pledgor"), and JOSEPH and HELEN VAN SICKLE whose address is 664 Ocean Road, Vero Beach, Florida 32963 ("Pledgee").

WITNESSETH:

WHEREAS, the Pledgor is the record and beneficial owner of the shares of common stock (the "Pledged Shares") of RIGL Corporation, a Nevada corporation publicly traded on the OTC Bulletin Board under the Trading Symbol "RIGN", described in Schedule 1 hereto; and

WHEREAS, the Pledgor and Pledgee have entered into a Loan Agreement, dated as of even date herewith, (as at any time amended, modified or supplemented, the "Loan Agreement"), pursuant to which Pledgee has made or agreed to make a loan to Pledgor in the amount of \$2,000,000; and

WHEREAS, as a condition precedent to the making of the loan under the Loan Agreement and as security for all of the obligations of the Pledgor under the Loan Agreement, Pledgee has required that the Pledgor shall have executed and delivered this Stock Pledge Agreement and granted the security interest contemplated hereby; and

NOW, THEREFORE, in consideration of the premises and in order to induce Pledgee to make the loan under the Loan Agreement, it is agreed as follows:

1. Definitions. Capitalized terms used in this Stock Pledge Agreement shall -----  
have (unless otherwise provided elsewhere in this Stock Pledge Agreement) the following respective meanings when used herein.

"Agreement" shall mean this Stock Pledge Agreement, including all amendments, modifications and supplements and any exhibits or schedules to any of the foregoing, as the same may be in effect at the time such reference becomes operative.

"Bankruptcy Code" shall mean Title 11, United States Code, as amended from time to time, and any successor statute thereto.

"Event of Default" shall have the meaning assigned to such term in the Loan Agreement.

"Pledged Collateral" shall have the meaning assigned to such term in Section 2 hereof.

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"Secured Indebtedness" shall mean all liabilities and obligations under, and as defined in' the Loan Agreement, of Pledgor to Pledgee or any assignees, indorsee or transferee of Pledgee.

Capitalized terms used herein which are defined in the Loan Agreement shall have the meanings assigned to such terms therein, unless the context otherwise requires or unless otherwise defined herein.

2. Pledge. The Pledgor hereby pledges to Pledgee and grants to Pledgee a -----

first priority security interest in the Pledged Shares and the certificates representing the Pledged Shares, and all dividends, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares (the "Pledged Collateral").

3. Security for Obligations. This Agreement secures, and the Pledged  
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Collateral is security for the prompt payment in full when due, whether at stated maturity, by acceleration or otherwise, and performance of the Secured Indebtedness.

4. Delivery of Pledged Collateral. All certificates representing or  
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evidencing the Pledged Shares shall be delivered to and held by or on behalf of Pledgee pursuant hereto and shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Pledgee. From and after the occurrence of an Event of Default, Pledgee shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of Pledgee or any of its nominees any or all of the Pledged Shares. In addition, Pledgee shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Shares for certificates or instruments of smaller or larger denominations.

5. Representations and Warranties. The Pledgor represents and warrants to  
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Pledgee that:

- a. As of the date hereof, the Pledgor is, and at the time of delivery of the Pledged Shares to Pledgee pursuant to Section 4 hereof will be, the sole holder of record and the sole beneficial owner of the Pledged Collateral free and clear of any lien thereon or affecting the title thereto except for the lien created by this Agreement;
- b. All of the Pledged Shares have been duly authorized, validly issued and are fully paid and non-assessable;
- c. The Pledgor has the right and requisite corporate authority to pledge, assign, transfer, deliver, deposit and set over the Pledged Collateral to Pledgee as provided herein;

Page 2

- d. None of the Pledged Shares has been issued or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such issuance or transfer may be subject (except that no representation is made hereunder as to transfers made by Pledgor);
- e. No consent, approval, authorization or other order of any person or entity is required for the execution and delivery of this Agreement or the delivery of the Pledged Collateral to Pledgee as provided herein which has not been obtained;
- f. The pledge, assignment and delivery of the Pledged Collateral pursuant to this Agreement will create a valid first priority lien on and a first priority perfected security interest in the Pledged Collateral, and the proceeds thereof, securing the payment of the Secured Indebtedness;
- g. This Agreement has been duly authorized, executed and delivered by the Pledgor and constitutes a legal, valid and binding obligation of the Pledgor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting the rights of creditors generally or by the application of general equity principles; and

The representations and warranties set forth in this Section 5 shall survive the execution and delivery of this Agreement.

6. Covenants. The Pledgor covenants and agrees that until the Termination  
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Date:

- a. Without the prior written consent of Pledgee, it will not sell, assign, transfer, pledge, or otherwise encumber any of its rights in or to the Pledged Collateral or any unpaid dividends or other distributions or payments with respect thereto or grant a lien in any therein except as otherwise permitted by the Loan Agreement;
  - b. The Pledgor will, at its expense, promptly execute, acknowledge and deliver all such instruments and take all such action as Pledgee from time to time may request in order to ensure to Pledgee the benefits of the liens in and to the Pledged Collateral intended to be created by this Agreement; and
  - c. The Pledgor has and will defend the title to the Pledged Collateral and the liens of Pledgee thereon against the claim of any person or entity and will maintain and preserve such liens until the Termination Date.
7. Pledgor's Rights. As long as no Default or Event of Default shall have -----  
occurred and be continuing and until written notice shall be given to the Pledgor in accordance with Section 8(a) hereof,

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- a. The Pledgor shall have the right, from time to time, to vote and give consents with respect to the Pledged Collateral or any part thereof for all purposes not inconsistent with the provisions of this Agreement and the Loan Agreement; provided, however, that no vote shall be cast, and no consent shall be given or action taken, which would have the effect of impairing the position or interest of Pledgee in respect of the Pledged Collateral or which would authorize or effect (except as and to the extent permitted by the Loan Agreement),
  - i. The dissolution or liquidation, in whole or in part, of Pledgor;
  - ii. The consolidation or merger of Pledgor with any other person or entity;
  - iii. The sale, disposition or encumbrance of all or substantially all of the assets of the Pledgor;
  - iv. Any change in the authorized number of shares, the stated capital or the authorized share capital of Pledgor, or
  - v. The alteration of the voting rights with respect to the stock of Pledgor;
- b.
  - i. The Pledgor shall be entitled, from time to time, to collect and receive for its own use all cash dividends paid in respect of the Pledged Shares to the extent not in violation of the Loan Agreement, other than any and all (A) dividends paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral, (B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial (except as permitted in the Loan Agreement) or total liquidation or dissolution, and (C) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Collateral; provided, however, that until actually paid all rights to such dividends shall remain subject to the lien created by this Agreement; and
  - ii. All dividends (other than such cash dividends as are permitted to be paid to the Pledgor in accordance with clause (i) above) and all other distributions in respect of any of the Pledged Shares, whenever paid or made, shall be delivered to Pledgee to hold as Pledged Collateral and shall, if recovered by Pledgor, be received in trust for the benefit of Pledgee, be segregated from the other property or funds of Pledgor, and be forthwith



delivered to Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

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8. Defaults and Remedies.  
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- a. Upon the occurrence of an Event of Default and during the continuation of such Event of Default, then or at any time after such declaration (provided that such declaration is not rescinded by Pledgee) and following written notice to the Pledgor, Pledgee (personally or through an agent) is hereby authorized and empowered at its election, to transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exercise the voting rights with respect thereto, to collect and receive all cash dividends and other distributions made thereon, to sell in one or more sales after seven days' notice of the time and place of any public sale or of the time after which a private sale is to take place (which notice the Pledgor agrees is commercially reasonable), but without any previous notice or advertisement, the whole or any part of the Pledged Collateral and to otherwise act with respect to the Pledged Collateral as though Pledgee were the outright owner thereof, the Pledgor hereby irrevocably constituting and appointing Pledgee as the proxy and attorney-in-fact of the Pledgor, with full power of substitution to do so; provided, however, Pledgee shall not have any duty to exercise any such right or to preserve the same and shall not be liable for any failure to do so or for any delay in doing so. Any sale shall be made at a public or private sale at Pledgee's place of business, or at any public building in the City of Vero Beach to be named in the notice of sale, either for cash or upon credit or for future delivery at such price as Pledgee may deem fair, and Pledgee may be the purchaser of the whole or any part of the Pledged Collateral so sold and hold the same thereafter in its own right free from any claim of the Pledgor or any right of redemption. Each sale shall be made to the highest bidder, but Pledgee reserves the right to reject any and all bids at such sale which, in its discretion, it shall deem inadequate. Demands of performance, except as otherwise herein specifically provided for, notices of sale, advertisements and the presence of property at sale are hereby waived and any sale hereunder may be conducted by an auctioneer or any officer or agent of Pledgee.
- b. If, at the original time or times appointed for the sale of the whole or any part of the Pledged Collateral, the highest bid, if there be but one sale, shall be inadequate to discharge in full all the Secured Indebtedness, or if the Pledged Collateral be offered for sale in lots, if at any of such sales, the highest bid for the lot offered for sale would indicate to Pledgee, in its discretion, the unlikelihood of the proceeds of the sales of the whole of the Pledged Collateral being sufficient to discharge all the Secured Indebtedness, Pledgee may, on one or more occasions and in its discretion, postpone any of said sales by public announcement at the time of sale or the time or previous postponement of sale, and no other notice of such postponement or postponements of sale need be given, any other notice being hereby waived; provided, however, that any sale or sales made after such postponement shall be after seven days' notice to the Pledgor.

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- c. In the event of any sale hereunder Pledgee shall, after deducting all costs or expenses of every kind (including reasonable attorneys' fees and disbursements) for care, safekeeping, collection, sale, delivery or otherwise, apply the residue of the proceeds of such sale to the payment or reduction, either in whole or in part, of the Secured Indebtedness in accordance with the Loan Agreement, returning the surplus, if any, to the Pledgor.
- d. If, at any time when Pledgee in its sole discretion determines, following the occurrence and during the continuance of an Event of Default, that, in connection with any actual or contemplated exercise of its rights (when permitted under this Section 8) to sell the whole or any part of the Pledged Collateral hereunder, it is necessary or

advisable to effect a public registration of all or part of the Pledged Collateral pursuant to the Securities Act of 1933, as amended (or any similar statute then in effect) (the "Act"), the Pledgor shall, in an expeditious manner, cause Pledgor to:

- i. Prepare and file with the Securities and Exchange Commission (the "Commission") a registration statement with respect to the Pledged Collateral and use its best efforts to cause such registration statement to become and remain effective.
- ii. Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Act with respect to the sale or other disposition of the Pledged Collateral covered by such registration statement whenever Pledgee shall desire to sell or otherwise dispose of the Pledged Collateral.
- iii. Furnish to Pledgee such numbers of copies of a prospectus and a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as Pledgee may request in order to facilitate the public sale or other disposition of the Pledged Collateral by Pledgee.
- iv. Use its best efforts to register or qualify the Pledged Collateral covered by such registration statement under such other securities or blue sky laws of such jurisdictions within the United States as Pledgee shall request, and do such other reasonable acts and things as may be required of it to enable Pledgee to consummate the public sale or other disposition in such jurisdictions of the Pledged Collateral by Pledgee.

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- v. Furnish, at the request of Pledgee, on the date that shares of the Pledged Collateral are delivered to the underwriters for sale pursuant to such registration or, if the security is not being sold through underwriters, on the date that the registration statement with respect to such shares of the Pledged Collateral becomes effective, (A) an opinion, dated such date, of the independent counsel representing such registrant for the purposes of such registration, addressed to the underwriters, if any, and in the event the Pledged Collateral is not being sold through underwriters, then to Pledgee, stating that such registration statement has become effective under the Act and that (1) to the best knowledge of such counsel, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or threatened under the Act, (2) the registration statement, the related prospectus, and each amendment or supplement there, comply as to form in all material respects with the requirements of the act and the applicable rules and regulations of the Commission thereunder (except that such counsel need express no opinion as to financial statements or other financial or statistical data contained therein), (3) such counsel has no reason to believe that either the registration statement or the prospectus, or any amendment or supplement thereto, contains any untrue statement of a material fact or omits a material fact required to be stated therein or necessary to make the statements therein not misleading, (4) the descriptions in the registration statement or the prospectus, or any amendment or supplement thereto, of all legal matters and contracts and other legal documents or instruments are accurate and fairly present the information required to be shown, and (5) such counsel does not know of any legal or governmental proceedings, pending or threatened, required to be described in the registration statement or prospectus, or any amendment or supplement thereto, which are not described as required, nor of any contracts or documents or instruments of a character required to be described in the registration statement or prospectus, or any amendment or supplement thereto, or to be filed as exhibits to the registration statement which are not described and filed or incorporated by reference as required; and (B) a letter, dated

such date, from the independent certified public accountants of such registrant, addressed to the underwriters, if any, and in the event the Pledged Collateral is not being sold through underwriters, then to Pledgee, stating that they are independent certified public accountants within the meaning of the Act and that, in the opinion of such accountants, the financial statements and other financial data of such registrant included in the registration statement or the prospectus, or any amendment or supplement thereto, comply as to form in all material respects with the applicable accounting requirements of the Act. The opinion of counsel referred to above shall additionally cover such other legal matters with respect to the registration in respect of which such opinion is being given as Pledgee may reasonably request. The letter referred to above from the independent certified public accountants shall additionally cover

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such other financial matters (including information as to the period ending not more than five (5) Business Days prior to the date of such letter) with respect to the registration in respect of which such letter is being given as Pledgee may reasonably request.

- vi. Otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, but not later than 18 months after the effective date of the registration statement, an earnings statement covering the period of at least 12 months beginning with the first full month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Act.
- e. All expenses incurred in complying with Section 8(d) hereof, including, without limitation, all registration and filing fees (including all expenses incident to filing with the National Association of Securities Dealers, Inc.), printing expenses, fees and disbursements of counsel for the registrant, the fees and expenses of counsel for Pledgee, expenses of the independent certified public accountants (including any special audits incident to or required by any such registration) and expenses of complying with the securities or blue sky laws of any jurisdictions, shall be paid by the Pledgor, except that the Pledgor shall not be liable for any discounts or commissions to any underwriter or any fees of disbursements of counsel for any underwriter in respect of the securities sold by Pledgee.
- f. If, at any time when Pledgee shall determine to exercise its right to sell the whole or any part of the Pledged Collateral hereunder, such Pledged Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Act, Pledgee may, in its discretion (subject only to applicable requirements of law), sell such Pledged Collateral or part thereof by private sale in such manner and under such circumstances as Pledgee may deem necessary or advisable, but subject to the other requirements of this Section 8, and shall not be required to effect such registration or to cause the same to be effected. Without limiting the generality of the foregoing, in any such event Pledgee in its discretion (a) may, in accordance with applicable securities laws, proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Pledged Collateral or part thereof could be or shall have been filed under said Act (or similar statute), (B) may approach and negotiate with a single possible purchaser to effect such sale, and (c) may restrict such sale to a purchaser who will represent and agree that such purchaser is purchasing for its own account, for investment and not with a view to the distribution or sale of such Pledged Collateral or part thereof. In addition to a private sale as provided above in this Section 8, if any of the Pledged Collateral shall not be freely distributable to the public without registration under the Act (or similar statute) at the time of any proposed sale pursuant to this Section 8, then Pledgee shall not be required to

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effect such registration or cause the same to be effected but, in its discretion (subject only to applicable requirements of law), may require that any sale hereunder (including a sale at auction) be conducted subject to restrictions (i) as to the financial sophistication and ability of any person or entity permitted to bid or purchase at any such sale, (ii) as to the content of legends to be placed upon any certificates representing the Pledged Collateral sold in such sale, including restrictions on future transfer thereof, (iii) as to the representations required to be made by each Person bidding or purchasing at such sale relating to that person's or entity's access to financial information about the Pledgor and such person's or entity's intentions as to the holding of the Pledged Collateral so sold for investment, for its own account, and not with a view to the distribution thereof, and (iv) as to such other matters as Pledgee may, in its discretion, deem necessary or appropriate in order that such sale (notwithstanding any failure so to register) may be effected in compliance with the Code and other laws affecting the enforcement of creditors' rights and the Act and all applicable state securities laws.

- g. The Pledgor acknowledges that notwithstanding the legal availability of a private sale or a sale subject to the restrictions described above in paragraph (f), Pledgee may, in its discretion, elect to register any or all the Pledged Collateral under the Act (or any applicable state securities law) in accordance with its rights hereunder. The Pledgor, however, recognizes that Pledgee may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof. The Pledgor also acknowledges that any such private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Pledgee shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit the registrant to register such securities for public sale under the Act, or under applicable state securities laws, even if the Pledgor would agree to do so.
- h. The Pledgor agrees that following the occurrence and during the continuance of an Event of Default it will not at any time plead, claim or take the benefit of any appraisal, valuation, stay, extension, moratorium or redemption law now or hereafter in force in order to prevent or delay the enforcement of this Agreement, or the absolute sale of the whole or any part of the Pledged Collateral or the possession thereof by any purchaser at any sale hereunder, and the Pledgor waives the benefit of all such laws to the extent it lawfully may do so. The Pledgor agrees that it will not interfere with any right, power and remedy of Pledgee provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by Pledgee of any one or more of such rights, powers or remedies. No failure or delay on the part of Pledgee to exercise any such right, power or

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remedy and no notice or demand which may be given to or made upon the Pledgor by Pledgee with respect to any such remedies shall operate as a waiver thereof, or limit or impair Pledgee's right to take any action or to exercise any power or remedy hereunder, without notice or demand, or prejudice its rights as against the Pledgor in any respect.

- i. The Pledgor further agrees that a breach of any of the covenants contained in this Section 8 will cause irreparable injury to Pledgee, that Pledgee has no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Section 8 shall be specifically enforceable against the Pledgor, and the Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that the Secured Indebtedness is not then due and payable in accordance with the agreements and instruments governing and evidencing such obligations. The Pledgor further acknowledges the impossibility of ascertaining the amount of damages which would be

suffered by Pledgee by reason of a breach of any of such covenants and, consequently, agrees that, if Pledgee shall sue for damages for breach, it shall pay, as liquidated damages and not as a penalty, an amount equal to the lesser of (i) the value of the Pledged Collateral on the date Pledgee shall demand compliance with this Section 8. and (ii) the amount required to pay in full the obligations described in paragraphs (a) and (b) of Section 9 below on such date.

9. Application of Proceeds. Any cash held by Pledgee as Pledged Collateral  
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and all cash proceeds received by Pledgee in respect of any sale of, liquidation of, or other realization upon all or any part of the Pledged Collateral shall be applied by Pledgee as follows:
- a. First, to the payment of the costs and expenses of such sale, including reasonable compensation to Pledgee and its agent and counsel, and all expenses, liabilities and advances made or incurred by Pledgee in connection therewith; and
  - b. Next, to the payment of the Secured Indebtedness, all in accordance with the terms and provisions of the Loan Agreement, and
  - c. Finally, after payment in full of all Secured Indebtedness, to the payment to the Pledgor, or its successors or assigns, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.
10. Waiver. No delay on the part of Pledgee in exercising any power of sale,  
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lien, option or other right hereunder, and no notice or demand which may be given to or made upon the Pledgor by Pledgee with respect to any power of sale, lien, option or other right hereunder, shall constitute a waiver thereof~ or limit or impair Pledgee's right to take any action or to exercise any power of sale, lien, option, or any other right hereunder, without notice or demand, or prejudice Pledgee's rights as against the Pledgor in any respect.

11. Assignment. Pledgee may assign, indorse or transfer any instrument  
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evidencing all or any part of the Secured Indebtedness as provided in, and in accordance with, the Loan Agreement and the holder of such instrument shall be entitled to the benefits of this Agreement.
12. Termination. Immediately following the payment of all Secured  
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Indebtedness, Pledgee shall deliver to the Pledgor the Pledged Collateral at the time subject to this Agreement and all instruments of assignment executed in connection therewith, free and clear of the liens hereof and, except as otherwise provided herein, all of the Pledgor's obligations hereunder shall at such time terminate.
13. Lien Absolute. All rights of Pledgee hereunder, and all obligations of  
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the Pledgor hereunder, shall be absolute and unconditional irrespective of:
- a. Any lack of validity or enforceability of the Loan Agreement or any other agreement or instrument governing or evidencing any other Secured Indebtedness;
  - b. Any change in the time, manner or place of payment of, or in any other term of, all or any part of the Secured Indebtedness, or any other amendment or waiver of or any consent to any departure from the Loan Agreement or any other agreement or instrument governing or evidencing any other Secured Indebtedness;
  - c. Any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Indebtedness; or
  - d. Any other circumstance which might otherwise constitute a defense

available to, or a discharge of, the Pledgor.

14. Release. The Pledgor consents and agrees that Pledgee may at any time,

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or from time to time, in its discretion (a) renew, extend or change the time or payment, and/or the manner, place or terms of payment of all or any part of the Secured Indebtedness and (b) exchange, release and/or surrender all or any of the Pledged Collateral, or any part(s) thereof, by whomsoever deposited, which is now or may hereafter be held by Pledgee in connection with all or any of the Secured Indebtedness; all in such manner and upon such terms as Pledgee may deem proper, and without notice to or further assent from the Pledgor, it being hereby agreed that the Pledgor shall be and remain bound upon this Agreement, irrespective of the existence, value or condition of any of the Pledged Collateral, and notwithstanding any such change, exchange, settlement, compromise, surrender, release, renewal or extension, and notwithstanding also that the Secured Indebtedness may, at any time(s) exceed the aggregate principal amount thereof set forth in the Loan Agreement. The Pledgor hereby waives notice of acceptance of this Agreement, and also presentment, demand, protest and notice of dishonor of any and all of the Secured Indebtedness, and promptness in commencing suit against any party hereto or liable hereon, and in giving any notice to or of making any claim or demand hereunder upon the Pledgor. Not act or omission of any kind on Pledgee's part shall in any event affect or impair this Agreement.

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15. Indemnification. The Pledgor agrees to indemnify and hold Pledgee

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harmless from and against any taxes, liabilities, claims and damages, including reasonable attorney's fees and disbursements, and other expenses incurred or arising by reason of the taking or the failure to take action by Pledgee, in good faith, in respect of any transaction effected under this Agreement or in connection with the lien provided for herein, including, without limitation, any taxes payable in connection with the delivery or registration of any of the Pledged Collateral as provided herein. Whether or not the transactions contemplated by this Agreement shall be consummated, the Pledgor agrees to pay to Pledgee all out-of-pocket costs and expenses incurred in connection with this Agreement and all reasonable fees expenses and disbursements, including registration costs under the Act (or similar statute) and the reasonable fees of Pledgee's agents or representatives, incurred in connection with the execution and delivery of this Agreement and the performance by Pledgee of the provisions of this Agreement and of any transactions effected in connection with this Agreement. The obligations of the Pledgor under this Section 15 shall survive until payment and discharge in full of the Loan.

16. Reinstatement. This Agreement shall remain in full force and effect and

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continue to be effective should any petition be filed by or against the Pledgor for liquidation or reorganization, should the Pledgor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of the Pledgor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Indebtedness, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Indebtedness, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Indebtedness shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

17. Miscellaneous.

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a. The Pledgor agrees to promptly reimburse Pledgee for actual out-of-pocket expenses, including, without limitation, reasonable counsel fees, incurred by Pledgee in connection with the administration and enforcement of this Agreement.

- b. Neither Pledgee nor any of its officers, directors, employees, agents or counsel shall be liable for any action lawfully taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct.

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- c. This Agreement shall be binding upon the Pledgor and its successors and assigns, and shall inure to the benefit of, and be enforceable by, Pledgee and its successors, and assigns, and shall be governed by, and construed and enforced in accordance with, the internal laws in effect in the State of Arizona without giving effect to principles of choice of law, and none of the terms or provisions of this Agreement may be waived, altered, modified or amended except in writing duly signed for and on behalf of Pledgee and the Pledgor.
18. Severability. If for any reason any provision or provisions hereof are -----  
determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those portions of this Agreement which are valid.
19. Notices. Except as otherwise provided herein, whenever it is provided -----  
herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon either of the parties by the other, or whenever either of the parties desires to give or serve upon the other communication with respect to this Agreement, each such notice, demand request, consent, approval, declaration or other communication shall be in writing and either shall be delivered in person with receipt acknowledged or sent by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:
- a. If to Pledgee, at:
- Joseph and Helen Van Sickle  
664 Ocean Road  
Vero Beach, Florida 32963
- With copies to:
- Collins, Brown, Caldwell, Barkett & Garavaglia  
756 Beachland Blvd.  
Vero Beach, Florida 32963  
Attention: George G. Collins, Jr., Esq.  
Fax: (561) 234-5213
- b. If to Pledgor, at:
- RIGL Corporation  
4840 E. Jasmine Street, Suite 105  
Mesa, Arizona 85205  
Attention: William D. O'Neal, Esq.  
Fax: (480) 654-9727
- Or at such other address as may be substituted by notice given as herein provided.

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The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Every notice, demand, request, consent, approval, declaration or other communication hereunder shall be deemed to have been duly given or served on the date on which personally delivered, with receipt acknowledged, or three (3) Business Days after the same shall have been deposited in the United States mail. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to the persons designated above to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

20. Section Titles. The Section titles contained in this Agreement are and

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shall be without substantive meaning or content, of any kind whatsoever and are not a part of the agreement between the parties hereto.

21. Counterparts. This Agreement may be executed in any number of  
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counterparts, which shall, collectively and separately, constitute one agreement.

IN WITNESS WHEREOF, the patties hereto have caused this Stock Pledge Agreement to be duly executed as of the date first written above.

PLEDGOR:

RIGL CORPORATION, a Nevada corporation

PLEDGEE:

/s/ Joseph Van Sickle  
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Joseph Van Sickle

/s/ Helen Van Sickle  
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Helen Van Sickle

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SCHEDULE 1  
TO STOCK PLEDGE AGREEMENT

Attached to and forming a part of that certain Stock Pledge Agreement dated as of May 25 1999, by and between RIGL CORPORATION as Pledgor and JOSEPH and HELEN  
--  
VAN SICKLE as Pledgee.

Stock Issuer:	RIGL Corporation
Common Stock	Class of Stock:
Stock Certificate No.:	2481
No. of Shares:	2.5 Million

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PROMISSORY NOTE

PRINCIPAL SUM:	\$2,000,000	DATE: May 25, 1999
INTEREST:	8%	
DUE AND PAYABLE:	November 22, 1999 (180 days)	

FOR VALUE RECEIVED, the undersigned RIGL CORPORATION, a Nevada corporation ("Make?'), promises to pay to the order of JOSEPH and HELEN VAN SICKLE ("Holder") whose address is 664 Ocean Road, Vero Beach, Florida 32963, or at such other place as the Holder hereof may from time to time designate in writing, the principal sum of TWO MILLION DOLLARS (\$2,000,000) plus interest calculated at a rate of Eight Percent (8%) annually from the date hereof on the principal balance from time to time outstanding as hereinafter provided: principal, interest and other sums payable hereunder to be paid in lawful money of the United States of America in monthly installments equal to that amount charged to Holders' account at Soloman Smith Barney commencing July 1, 1999 and upon the first day of each month thereafter for the following four (4) months with the remaining outstanding balance plus accrued interest to be paid no later



than 180 days from date of this Note. As additional consideration, upon the execution of this Note, Maker shall deliver to Holder 1,000,000 restricted common shares of RIGL Corporation validly issued, fully paid and non-accessible, evidenced by a certificate(s) in the name of Holder or their designee.

The term Holder shall refer to the original Holder and upon transfer, to any and all subsequent holders of this Note.

Maker agrees to an effective date of interest that is the rate stated above plus and additional rate of interest resulting from any other charges in the nature of interest paid or to be paid in connection with this Note. All fees, charges, goods and things in action or any other sums or things of value other than the interest resulting from the Stated Interest Rate and the Default Interest rate, as applicable, paid or payable by Maker (collectively, the "Additional Sums"), whether pursuant to this Note, or any other document or instrument in any way pertaining to this lending transaction, or otherwise with respect to this lending transaction, shall, for the purpose of any laws of the State of Arizona that may limit the maximum amount of interest to be charged with respect to this lending transaction, be payable by Maker as, and shall be deemed to be, additional interest, and for such purposes only, the agreed upon and "contracted for rate of interest" of this lending transaction shall be deemed to be increased by the rate of interest resulting from Additional Sums. Maker understands and believes that this lending transaction complies with the usury laws of the State of Arizona; however, if any interest or other charges in connection with this lending transaction are ever determined to exceed the maximum amount permitted by law, then Maker agrees that (a) the amount of interest or charges payable pursuant to this lending transaction shall be reduced to the maximum amount permitted by law and (b) any excess amount previously collected from Maker in connection with this lending transaction that exceeded the maximum amount permitted by law, will be credited against the principal balance then outstanding hereunder. If the outstanding principal balance hereunder has been paid in full, the excess amount paid will be refunded to Maker.

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All payments on this Note shall be applied first to the payment of any costs, fees or other charges incurred in connection with the indebtedness evidenced hereby, next to the payment of accrued interest and then to the reduction of the principal balance.

Time is of the essence of this Note. At the option of Holder, (i) Holder may declare the entire unpaid principal balance, all accrued and unpaid interest and all other amounts payable hereunder immediately due and payable without notice upon the failure to pay any sum due and owing hereunder as provided herein if such failure continues for five (5) days after the due date; or (ii) Holder may require Maker to pay interest on the late payment at the Default Interest rate (as defined below) from the date the payment becomes due until Maker pays in full all accrued and unpaid interest due under this Note.

Maker shall bear all costs and expenses resulting from any check made by Maker for payment hereunder which is returned "NSF", wherein the late payment provisions set forth above shall apply until all charges, accrued and unpaid interest due and owing under this Note are paid in full, plus an additional TWENTY AND NO/100THS DOLLARS (\$20.00).

After maturity, including maturity upon acceleration, the unpaid principal balance, all accrued and unpaid interest and all other amounts payable hereunder shall bear interest the rate of TWENTY PERCENT (20%) (the "Default Interest Rate"). Maker shall pay all costs and expenses, including reasonable attorney's fees and court costs, incurred in the collection or enforcement of all or any part of this Note. Such court costs and attorney's fees shall be set by the court and not by jury, shall be included in any judgment obtained by Holder.

Maker shall have the option to prepay this Note, in full or in part, at any time without penalty.

Failure of Holder to exercise any option hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default or in the event of continuance of any existing default after demand for strict performance.

Maker, sureties, guarantors and endorsers hereof: (a) agree to be jointly

and severally bound, (b) severally waive any homestead or exemption right against said debt, (c) severally waive demand, diligence, presentment for payment, protest and demand, and notice of extension, dishonor, protest, demand and nonpayment of Note, (d) consent that Holder may extend the time of payment or otherwise modify the terms of payment of any part or the whole of the debt evidence by this Note, at the request of any other person primarily liable hereon, and such consent shall not alter nor diminish the liability of any person, and (e) agree that Holder may setoff at any time any sums or property owed to any of them by Maker.

Page 2 of 3

All notices required or permitted in connection with this Note shall be given at the address set forth above.

The Note is secured by a Security Agreement of even date herewith.

This Note shall be construed according to the laws of the State of Arizona.

IN WITNESS WHEREOF, this Note has been executed as of the date first written above.

MAKER:

RIGL CORPORATION  
4840 E. Jasmine Street, Suite 105  
Mesa, Arizona 85205

By: /s/ Kevin Jones

-----  
Kevin Jones, President

Page 3 of 3

MODIFICATIONS TO PROMISSORY NOTE

This Modification to Promissory Note (this "Modification") is entered into this 3rd day of September 1999 BY and between RIGL CORPORATION, a Nevada corporation ("Maker") and MATHEW & MARKSON, LTD., an Antigua corporation ("Holder").

RECITALS

- A. Maker and Holder entered into that certain Promissory Note, dated June 15, 1999 in the principle amount of \$2,000,000, due and payable on July 15, 1999.
- B. The parties hereto desire to modify the Promissory Note to provide that the principal outstanding balance shall be due and payable in full no later than January 15, 2000.
- C. In consideration of the and other valuable consideration, the receipt and sentiency of which is hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

- 1. The date of payment of the principal sum of \$2,000,000 pursuant the Promissory Note is hereby extended to January 15, 2000.
- 2. Maker waives the notice of default provision pursuant to the Promissory Note, and said Note shall be deemed to be in default if not paid on or before January 15,2000 with no grace period allowed.
- 3. Holder shall be paid an extension fee of two hundred thousand dollars (\$200,000) if cash or cash equivalentents on September 8,1999 and any sum in arrears at maturity shall draw twenty percent (20%) interest from and after September 8, 1999.
- 4. Holder shall be paid 85 percent of net cash flow after payment of any ordinary and necessary business expenses, flat in excess of the average business expense indicated on Maker's financial statements kept it accordance with generally accept accounting principles, for the past quarter.
- 5. Equity raised by company shall be applied first to pay the outstanding balance of the Promissory Note at the time such equity is received.
- 6. Debt or convertible debt that is raised by company shall be applied first to pay the outstanding balance of the Promissory Note. Debt that is raised through Fremont Financial shall be excluded from this agreement in accordance with the agreement with Fremont Financial.
- 7. Holder shall be paid a minimum of one hundred thousand dollars (\$100,000) per month, due and payable at the 28b of each month commencing September 28, 1999, and all such payments shall first be credited against any interest owned by Maker to Holder, and than against the principal sum due on said Promissory Note, but no such payments shall extend the maturity data of said Promissory Note, and default notice shall be required to be given by Holder before declaring a default.
- 8. Expenditures for marketing for the company's products and services, excluding expenses for direct mail marketing be approved by Pamela Jo Thompson, which approval shall not be unreasonably withheld until such time that balance of the Promissory Note paid in full
- 9. Any payments not paid on or before the dates due shall alma. a default, no notice of default shall be required or period avowed.
- 10. Except as other-wise set for this Modification, the terms of the Promissory Note shall remain in force end effect.

IN WITNESS WHEREOF, this Modification has been executed of the date first written above

RIGL CORPORATION, a Nevada corporation

By: /s/ Kevin L. Jones

-----  
Kevin L. Jones

Its: President  
-----

MATHEW & MARKSON, LTD., an Antigua Corporation

{seal}

By: /s/ Ilse F. Cooper

-----  
Antigua Management & Trust Ltd  
-----

Its: Corporate Director  
-----

PROMISSORY NOTE

PRINCIPAL SUM: \$ 2,000,000 DATE: June 15, 1999  
INTEREST: 0%  
DEFAULT INTEREST RATE: 20%  
DUE AND PAYABLE: July 15, 1999

FOR VALUE RECEIVED, the undersigned RJGL CORPORATION, a Nevada corporation (Maker), promises to pay to the order of MATHEW & MARKSON, LTD. a Antigua corporation (Holder), with registered offices at Woods Centre, Friars Hill Road, P.O. Box 1407, St. John's, Antigua, W.I., net M&M's Antigua or other M&M appointed bank account(s) or at such place as the Holder hereof may from time to time designate in writing, the principal sum of TWO MILLION DOLLARS (\$2,000,000) without interest except upon default, to be paid in lawful money of the United States of America to Holder on or before July 15, 1999. This Note is secured by a Stock Pledge Agreement of even date herewith.

The term Holder shall refer to the original Holder and upon transfer, to any and all subsequent holders of this Note.

All payments on this Note shall be applied first to the payment of any costs, fees or other charges incurred in connection with the indebtedness evidenced hereby, next to the payment of accrued interest and then to the reduction of the principal balance.

Time is of the essence of this Note. At the option of Holder, (i) Holder may declare the entire unpaid principal balance, all accrued and unpaid interest and all other amounts payable hereunder immediately due and payable without notice upon the failure to pay any sum due and owing hereunder as provided herein if such failure continues for five (5) days after the due date; or (ii) Holder may require Maker to pay interest on the late payment at the Default Interest rate (as defined below) from the date the payment becomes due until Maker pays in full all accrued and unpaid interest due under this Note.

Maker shall bear all costs and expenses resulting from any check made by Maker for payment hereunder which is returned "NSF", wherein the late payment provisions set forth above shall apply until all charges, accrued and unpaid interest due and owing under this Note are paid in full, plus an additional TWENTY AND NO/100THS DOLLARS (\$20.00).

After maturity, including maturity upon acceleration, the unpaid principal balance, all accrued and unpaid interest and all other amounts payable hereunder shall bear interest at the rate of TWENTY PERCENT (20%) per annum, (the "Default Interest Rate"). Maker shall pay all costs and expenses, including reasonable attorneys fees and court costs and all other reasonable costs, incurred in the collection or enforcement of all or any part of this Note. Such court costs and

attorneys fees shall be set by the court and not by jury, shall be included in any judgment obtained by Holder.

Maker shall have the option to prepay this Note, in full or in part, at any time without penalty.

Failure of Holder to exercise any option hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default or in the event of continuance of any existing default after demand for strict performance.

Maker, sureties, guarantors and endorsers hereof: (a) agree to be jointly and severally bound, (b) severally waive any homestead or exemption right against said debt, (c) severally Waive demand, diligence, presentment for payment, protest and demand, and notice of extension, dishonor, protest, demand and nonpayment of Note, (d) consent that Holder may extend the time of payment or otherwise modify the terms of payment of any part or the whole of the debt evidence by this Note, at the request of any other person unwarily liable hereon, and such consent shall not alter nor diminish the liability of any person, and (e) agree that Holder may setoff at any time any sums or property owed to any of them by Maker.

All notices required or permitted in connection with this Note shall be given at the address set forth herein.

The Note is secured by a Security Agreement of even date herewith.

This Note shall be construed according to the laws of the State of Arizona.

IN WITNESS WHEREOF, this Note has been executed as of the date first written above.

MAKER:

RIGL CORPORATION  
4840 E. Jasmine Street, Suite 105  
Mesa, Arizona.85205

By: /s/ Kevin Jones  
-----  
Kevin Jones, President

PAYMENT AGREEMENT

All patties acknowledge that YP.Net, Inc. (Formerly know as RIGL) could be declared in default if Mathew & Markson LTD. ("M&M") exercised its rights under the Modification Agreement dated September 03, 1999 between the parties. YP.Net, Inc. has made no payments pursuant to either agreement of either principal or interest since the September, 1999 payment. M&M has not and is not waiving any of its rights under the September 03, 1999 agreement.

In order to induce M&M to enter into negotiations with YP.Net, Inc. to either; continue to delay the declaration of default or to further extend the time for payment, YP.Net, Inc. will tender to M&M the sum of \$50,000.00 as a good faith fee. M&M will credit this sum to the outstanding interest due M&M from YP.Net, Inc.

In addition, YP.Net, Inc will continue to make weekly payments to M&M on a weekly basis until advised otherwise by M&M. YP.Net, inc. will be allowed to pay its minimum obligations to the Van Sickles first and then Finova Capital Corp. under the terms of the agreements between the patties. Then YP.Net, Inc. will maintain a cash reserve or availability under its loan agreement with Finova sufficient to fund 2 weeks worth of expenses. All regular monthly budgetary expenses will then be paid. The balance will then be paid to M&M. A representative of M&M will have the final authority to approve all regular monthly budgetary expenses until M&M is paid in full or more formal arrangements are agreed to between the parties. It is understood between the parties that

M&M's willingness to accept this good faith payment and or weekly payments does not in any way limit M&M's rights to declare a default or the ability to enforce strict compliance with the terms and conditions of the original agreement and the modification agreement dated September 03, 1999.

The parties understand that this payment agreement is a temporary agreement and does not in anyway modify any agreements between M&M and YP.Net, Inc., nor does it change any obligations of YP.Net, inc. to M&M. YP.Net, Inc. is encouraged to find alternative sources of capital to pay off its obligation herein with prompt dispatch. It is agreed between M&M and YP.Net, Inc as herein above:

YP.NET, Inc.

BY: /s/ Angelo Tullo, Chairman                      Date: 4/26/2000

-----  
Angelo Tullo, Chairman

-----

Mathew & Markson, LTD                      {seal}

BY: /s/ Ilse Cooper                                      Date: 4/26/2000

-----  
Ilse Cooper, AMT/Director

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YP.NET, INC.  
COMPUTATION OF EARNINGS PER SHARE  
Exhibit 11

	SEPTEMBER 30, 1999
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BASIC EARNINGS PER SHARE:	
Common shares outstanding, beginning of period	39,156,853
Effects of reverse merger:	
Reverse Merger Adjustment	(16,933,096)
	-----
Weighted average number of common shares outstanding	22,223,757
	=====
Net Income	\$ (4,363,867.00)
	=====
Earnings Per Share	\$ (0.20)
	=====
DILUTED EARNINGS PER SHARE: (NOTE 1)	
Common shares outstanding, beginning of period	39,156,853
Effects of reverse merger:	
Reverse Merger Adjustment	(16,933,069)
Weighted average number of common shares and common equivalent shares outstanding	22,223,784
	=====
Net Income	\$ (4,363,687.00)
	=====
Earnings Per Share	\$ (0.20)
	=====

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XXXXXXXXXXXXXXXXXXXXXXXXXX

Do Not Have

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