

REGISTRATION NO. 333-

-----  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
-----

FORM SB-2  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
-----

PC411, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)  
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<TABLE>

<S>	<C>	<C>	
DELAWARE	7375	95-4463937	
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)	

</TABLE>

9800 S. LA CIENEGA BOULEVARD  
INGLEWOOD, CALIFORNIA 90301-4440  
(310) 645-1114  
(Address, Including Zip Code, and Telephone Number, Including  
Area Code, of Registrant's Executive Offices)  
-----

DEAN R. EAKER  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
PC411, INC.  
67 STONEHEDGE DRIVE SOUTH  
GREENWICH, CONNECTICUT 06831  
(203) 532-0509  
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code of  
Agent for Service)  
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WITH A COPY TO:

<TABLE>

<S>	<C>	
JOEL J. GOLDSCHMIDT, ESQ. Morse, Zelnick, Rose & Lander, LLP 450 Park Avenue New York, New York 10022 (212) 838-1177 (212) 838-9190 (FAX)	STEVEN WASSERMAN, ESQ. Bernstein & Wasserman, LLP 950 Third Avenue New York, New York 10022 (212) 826-0730 (212) 371-4730 (FAX)	

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:  
As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), check the following box. /X/

If this Form is filed to register additional securities for an offering pursuant to Rule 462 (b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. //

If this Form is a post-effective amendment filed pursuant to Rule 462(c)

under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. //

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, please check the following box. //

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CALCULATION OF REGISTRATION FEE

<TABLE>  
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TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AMOUNT BEING REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (1)	AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
Common Stock, par value				
\$0.01 per share (2).....	1,322,500	\$5.00	\$ 6,612,500	\$ 2,003.79
Redeemable Class A Warrants to purchase Common Stock(3).....	1,322,500	\$0.25	\$ 330,625	100.19
Common Stock issuable upon exercise of Redeemable Class A Warrants(5).....	1,322,500	\$6.00	\$ 7,935,000	\$ 2,404.55
Underwriter's Option.....	115,000	\$0.001	\$ 115	(4)
Common Stock issuable upon exercise of Underwriter's Option(5).....	115,000	\$6.00	\$ 690,000	\$ 209.09
Redeemable Class A Warrants issuable upon exercise of Underwriter's Options.....	115,000	\$0.30	\$ 34,500	\$ 10.45
Common Stock issuable upon exercise of Redeemable Class A Warrants issuable upon exercise of Underwriter's Option.....	115,000	\$6.00	\$ 690,000	\$ 209.09
Common Stock to be sold by Selling Stockholders.....	500,000	\$5.00	\$ 2,500,000	\$ 757.58
Warrants to purchase Common Stock to be sold by New Valley Corporation(5).....	1,000,000	\$0.25	\$ 250,000	\$ 75.76
Common Stock issuable upon exercise of Warrants to be sold by New Valley Corporation(5).....	1,000,000	\$5.00	\$ 5,000,000	\$ 1,515.15
Total Registration Fee.....			\$ 7,285.65	

(1) Estimated solely for purposes of determining the registration fee pursuant to Rule 457 under the Securities Act.

(2) Includes 172,500 shares of Common Stock issuable upon exercise of the Underwriter's Over-Allotment Option.

(3) Includes 172,500 Redeemable Class A Warrants issuable upon exercise of the Underwriter's Over-Allotment Option.

(4) No registration fee required pursuant to Rule 457 under the Securities Act.

(5) Pursuant to Rule 416 of the Securities Act, there are also being registered hereby such additional indeterminate number of shares of Common Stock as may become issuable pursuant to the anti-dilution provisions of the Redeemable Class A Warrants and the Underwriter's Option.

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

PC411, INC.  
CROSS-REFERENCE SHEET  
(SHOWING LOCATION IN THE PROSPECTUS OF INFORMATION  
REQUIRED BY ITEMS 1 THROUGH 23, PART I OF FORM SB-2)

<TABLE>  
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ITEM AND CAPTION IN FORM SB-2

LOCATION IN PROSPECTUS

<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
1.	Front of SB-2 Registration Statement and Outside Cover Page of Prospectus.....	Outside Front Cover Page
2.	Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front Cover Page; Outside Back Cover Page; Available Information
3.	Summary Information and Risk Factors.....	Prospectus Summary; Risk Factors
4.	Use of Proceeds.....	Prospectus Summary; Use of Proceeds
5.	Determination of Offering Price.....	Outside Front Cover Page of Prospectus; Risk Factors; Underwriting
6.	Dilution.....	Risk Factors; Dilution
7.	Selling Security Holders.....	Risk Factors; Description of Securities; Shares Eligible for Future Sale
8.	Plan of Distribution.....	Outside Front Cover Page; Inside Front Cover Page; Underwriting
9.	Legal Proceedings.....	Business
10.	Directors, Executive Officers, Promoters and Control Persons.....	Risk Factors; Management
11.	Security Ownership of Certain Beneficial Owners and Management.....	Risk Factors; Management; Principal Stockholders
12.	Description of Securities.....	Description of Securities; Underwriting
13.	Interests of Named Experts and Counsel.....	Legal Matters
14.	Disclosure of Securities and Exchange Commission Position on Indemnification for Securities Act Liabilities.....	Risk Factors; Management; Underwriting
15.	Organization within Last Five Years.....	The Company; Certain Transactions
16.	Description of Business.....	Summary; Management's Discussion and Analysis of Financial Condition and Results of Operation; Business
17.	Management's Discussion and Analysis of Plan of Operation.....	Management's Discussion and Analysis of Financial Condition and Results of Operations
18.	Description of Property.....	Prospectus Summary; Management's Discussion and Analysis of Financial Condition; Business

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<u>ITEM AND CAPTION IN FORM SB-2</u>	<u>LOCATION IN PROSPECTUS</u>
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<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
19.	Certain Relationships and Related Party Transactions.....	The Company; Certain Transactions
20.	Market for Common Equity and Related Stockholder Matters.....	Outside Front Cover Page of Prospectus; Summary; Risk Factors; Dividend Policy; Underwriting
21.	Executive Compensation.....	Management
22.	Financial Statements.....	Financial Statements
23.	Changes and Disagreements with Accountants on Accounting and Financial Disclosure.....	Not Applicable

</TABLE>

## EXPLANATORY NOTE

This registration statement (the "Registration Statement") contains two prospectuses: one (the "Prospectus") relating to the offering by PC411, Inc. (the "Company") of 1,150,000 shares (the "Shares") of common stock, par value \$0.01 per share (the "Common Stock"), and 1,150,000 Redeemable Class A Warrants (the "Warrants"), plus 172,500 shares of Common Stock and 172,500 Warrants to cover over-allotments, if any; and another (the "Selling Securityholders Prospectus") relating to the offering of 500,000 shares (the "Selling Securityholders Shares") of Common Stock held by certain principal stockholders of the Company and 1,000,000 Warrants held by New Valley Corporation and the shares of Common Stock underlying such Warrants (the "NVC Warrants"). Following the Prospectus are certain substitute pages of the Selling Securityholders Prospectus, including alternate front outside and back cover pages, an alternate "The Offering" section of the "Prospectus Summary" and sections entitled "Concurrent Offering" and "Plan of Distribution." Each of the alternate pages for the Selling Securityholders Prospectus included herein is labeled "Alternate Page for Selling Securityholders Prospectus." All other sections of the Prospectus, other than "Underwriting" and "Concurrent Offering", are to be used in the Selling Securityholders Prospectus. In addition, cross-references in the Prospectus will be adjusted in the Selling Securityholders Prospectus to refer to the appropriate sections.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO THE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED FEBRUARY 11, 1997

## PROSPECTUS

[LOGO]

1,150,000 SHARES OF COMMON STOCK AND  
1,150,000 REDEEMABLE CLASS A WARRANTS  
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This Prospectus relates to the offering (the "Offering") of 1,150,000 shares (the "Shares") of common stock, \$0.01 par value per share (the "Common Stock"), and 1,150,000 Redeemable Class A Warrants (the "Warrants") of PC411, Inc., a Delaware corporation (the "Company"). The Shares and the Warrants are sometimes hereinafter collectively referred to as the "Securities." Until the completion of the Offering, the Shares and Warrants may only be purchased together on the basis of one Share and one Warrant. Immediately after completion of the Offering, the Shares and the Warrants will trade separately. Each Warrant entitles the registered holder thereof (a "Warrantholder") to purchase one share of Common Stock at an initial exercise price equal to 120% of the initial public offering price per Share at any time during the period commencing one (1) year from the effective date of this Prospectus and terminating four (4) years thereafter (the "Warrant Exercise Period"). The Warrant exercise price is subject to adjustment under certain circumstances. All, but not less than all, of the Warrants are subject to redemption by the Company, at \$0.01 per Warrant, at any time during the Warrant Exercise Period on thirty (30) days prior written notice to the Warrantholders if the per share closing bid price of the Common Stock as reported on the Nasdaq SmallCap Market equals or exceeds 175% of the initial public offering price per Share for any twenty (20) consecutive trading days ending within five (5) days of the notice of redemption.

Concurrently, 500,000 shares of Common Stock, 1,000,000 Warrants and 1,000,000 shares of Common Stock issuable upon exercise of such Warrants are being registered at the Company's expense for sale by certain selling securityholders pursuant to a separate prospectus. See "Concurrent Offering."

Prior to the Offering, there has been no public market for the Common Stock or the Warrants and there can be no assurance that such a market will develop after completion of the Offering or, if developed, that it will be sustained. It is presently anticipated that the initial public Offering prices per Share and per Warrant will be \$5.00 and \$0.25, respectively. For the method of determining the initial public offering prices of the Shares and the Warrants and the terms of the Warrants, see "Risk Factors", "Description of Securities" and

"Underwriting." Application has been made to list the Shares and Warrants on the Nasdaq SmallCap Market under the symbols PCFR and PCFRW, respectively.

THE SECURITIES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK AND IMMEDIATE SUBSTANTIAL DILUTION. SEE "RISK FACTORS" COMMENCING ON PAGE AND "DILUTION."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO COMPANY(2)
<S>	<C>	<C>	<C>
Per Share.....	\$	\$	\$
Per Warrant.....	\$	\$	\$
Total(3).....	\$	\$	\$

- (1) Does not include additional compensation payable to Biltmore Securities, Inc. (the "Underwriter") in the form of a non-accountable expense allowance, an advisory fee and options to purchase shares of Common Stock. See "Underwriting" for information concerning indemnification and contribution arrangements with, and compensation payable to, the Underwriter.
- (2) Before deducting estimated expenses of approximately \$680,000 payable by the Company, including the non-accountable expense allowance payable to the Underwriter.
- (3) The Company has granted to the Underwriter an option (the "Over-Allotment Option"), exercisable within 30 days after the date of this Prospectus, to purchase up to an aggregate of 172,500 additional shares of Common Stock and/or 172,500 additional Warrants upon the same terms and conditions as set forth above, solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the total Price to Public, Underwriting Discount and Proceeds to Company will be \$ , \$ and \$ , respectively. See "Underwriting."

The Securities are being offered by the Underwriter, subject to prior sale, when, as and if delivered to and accepted by the Underwriter, and subject to approval of certain legal matters by its counsel and subject to certain other conditions, including the right of the Underwriter to withdraw, cancel or modify the Offering and to reject any order in whole or in part. It is expected that delivery of the Securities offered hereby will be made against payment at the offices of Biltmore Securities, Inc., Ft. Lauderdale, Florida, on or about , 1997.

BILTMORE SECURITIES, INC.

The date of this Prospectus is , 1997

[This page contains a graphic depicting the PC411 FOR WINDOWS search screen]

PC411, Inc. owns the PC411-Registered Trademark- service mark. All other tradenames, trademarks and service marks appearing in this Prospectus are the property of their respective holders.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ SMALLCAP MARKET, THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO, APPEARING ELSEWHERE IN THIS PROSPECTUS. EXCEPT AS OTHERWISE SPECIFIED, ALL INFORMATION IN THIS PROSPECTUS ASSUMES 1,650,000 SHARES OF COMMON STOCK OUTSTANDING AFTER GIVING EFFECT TO (I) THE CONVERSION OF THE OUTSTANDING SHARES OF THE SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK (THE "PREFERRED STOCK")

INTO 8,626 SHARES OF COMMON STOCK (II) THE SUBSEQUENT STOCK SPLIT OF 172.7336 FOR 1 AND THE CONTRIBUTION OF 632,390 SHARES OF COMMON STOCK TO THE COMPANY BY CERTAIN STOCKHOLDERS, AND (III) THE ISSUANCE OF AN ADDITIONAL 60,000 SHARES OF COMMON STOCK AND ASSUMES NO EXERCISE OF ANY WARRANTS OR OPTIONS TO PURCHASE SHARES OF COMMON STOCK DESCRIBED HEREIN. SEE "CAPITALIZATION--RECAPITALIZATION AND STOCK SPLIT." INVESTORS SHOULD CAREFULLY CONSIDER THE INFORMATION SET FORTH UNDER "RISK FACTORS" PRIOR TO MAKING AN INVESTMENT IN THE SECURITIES.

#### THE COMPANY

The Company currently provides on-line electronic directory assistance to personal computer users. The Company's directory assistance service, PC411-Registered Trademark- ("PC411" or the "PC411 service"), provides customers with on-line access to over 110 million U.S. and Canadian residence and business telephone numbers, addresses and ZIP codes with a dial-up modem connection. Using the Company's copyrighted software, PC411 FOR WINDOWS, a customer can search for business or residential listings anywhere in the U.S. or Canada without having to know the area code or city, look up addresses and ZIP codes in addition to telephone numbers, search by a telephone number to find a listed name and address, and perform multiple searches at one time. The Company is currently offering a limited version of the PC411 service over the Internet at the World Wide Web ("Web") address [HTTP://WWW.PC411.COM](http://WWW.PC411.COM). The Company's long term business strategy is to position itself as an Internet/intranet (private server based networks) information publishing and distribution company.

The Company is a development stage enterprise. Substantially all of its expenditures (approximately \$1.5 million as of September 30, 1996) have been for software and systems development and equipping a data center to provide the PC411 service on a commercial basis. The Company's expenditures for marketing PC411 have been insignificant and the Company has not yet developed any significant customer base or revenues.

The Company believes that the growth of both the Internet and private intranets will provide the Company with a larger market and new opportunities to provide services that are not currently available with print or operator assisted directories. The Company also believes that the growth in the use of E-mail will create a need for a comprehensive directory of E-mail addresses. The Company's long term business strategy is to (i) build brand identity for PC411, (ii) provide on-line directory assistance through various access methods, including dial-up modem connections to the Company's data center, over the Internet on the Company's Web site, and over the Internet for use by organizations on their private intranet networks, and (iii) to attempt to develop industry specific databases through various accumulation strategies. A substantial portion of the proceeds of the Offering will be used to market the PC411 service to both the SOHO (small office/home office) market (part of the larger market known as the business-to-business market) and businesses on the Web and to businesses that have established private intranets. There is no assurance that these markets or a demand for the Company's services will develop or that the Company will be able to commercially exploit these markets. See "Risk Factors."

The Company has entered into "bundling" agreements with International Business Machines Corporation ("IBM"), U.S. Robotics Access Corp. ("U.S. Robotics"), Sony Corporation ("Sony"), and Hewlett-Packard Company ("Hewlett-Packard") to distribute PC411 FOR WINDOWS with certain personal computers and modems manufactured by these companies. Shipments under the bundling agreements commenced in

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June 1996, and the Company has experienced an increase in its customer base from 213 as of September 30, 1995 to 7,200 as of December 31, 1996 (including customers accessing PC411, without charge, on a trial basis).

The Company was incorporated in Delaware in December 1993. The Company's executive office is located at 9800 S. La Cienega Blvd., Suite 411, Inglewood, CA 90301-4440, and its telephone number is (310) 645-1114. The Company's Web page can be located at [HTTP://WWW.PC411.COM](http://WWW.PC411.COM) where visitors may download PC411 FOR WINDOWS. Information contained on the Company's Web site shall not be deemed to be a part of this Prospectus.

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Securities offered hereby..... 1,150,000 Shares and 1,150,000 Warrants at an assumed initial public offering price of \$5.00 per Share and \$0.25 per Warrant. The Shares and the Warrants may only be purchased together on the basis of one Share and one Warrant and will be separately tradable upon issuance. Each Warrant entitles the registered holder thereof to purchase at any time during the Warrant Exercise Period one share of Common Stock at an exercise price per share equal to 120% of the initial public offering price. The Warrants are subject to redemption by the Company for \$0.01 per Warrant at any time during the Warrant Exercise Period, on 30 days written notice, provided that the closing bid price of the Common Stock equals or exceeds 175% of the initial public offering price per share of Common Stock for any 20 consecutive trading days ending within five (5) days of the notice of redemption to the Warrantholders.

Outstanding Securities before the Offering:

Common Stock(1)..... 1,650,000 Shares

Warrants(2)..... 1,000,000 Warrants

Outstanding Securities after the Offering:

Common Stock(1)..... 2,800,000 Shares

Warrants(3)..... 2,150,000 Warrants

Proposed Nasdaq SmallCap Market Symbols

Common Stock..... PCFR

Warrants..... PCFRW

Use of Proceeds..... The net proceeds (after payment of underwriting discounts and a non-accountable expense allowance to the Underwriter and other expenses of the Offering) to the Company from the sale of the Securities offered hereby are expected to be approximately \$4,750,000 (assuming an initial public offering price of \$5.00 per Share and \$0.25 per Warrant). Such net proceeds will be used principally for the continued development and marketing of the PC411 service, to repay

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certain short-term indebtedness and accrued interest thereon to a related party, to pay accumulated dividends on the Preferred Stock, for general corporate purposes and for working capital. See "Use of Proceeds."

Risk Factors..... An investment in the Securities offered hereby is speculative and involves a high degree of risk. This Prospectus contains forward-looking information which involves risks and uncertainties. The Company's actual results could differ materially from those anticipated by such forward-looking information as a result of various factors, including those discussed under "Risk Factors" in this Prospectus. In addition, purchasers of the Shares offered hereby will

experience immediate and substantial dilution with respect to their investment. See "Risk Factors."

</TABLE>

(1) Does not include shares of Common Stock issuable upon the exercise of (i) the Warrants offered hereby; (ii) the Over-Allotment Option; (iii) options granted to the Underwriter to purchase a number of shares of Common Stock and Warrants equal to ten (10%) percent of the Shares and Warrants offered hereby (the "Underwriter's Option"); (iv) options held by Direct Assist Holding Inc. ("DAH"), a wholly owned subsidiary of New Valley Corporation ("NVC"), to purchase 500,000 shares of Common Stock at \$5.25 per share (the "Principal Stockholder's Options"); (v) options to purchase 750,000 shares of Common Stock reserved for issuance under the Company's 1997 Stock Option Plan (the "Option Plan"); and (vi) Warrants to purchase 1,000,000 shares of Common Stock (the "NVC Warrants"), issued to NVC in satisfaction of \$250,000 of short term indebtedness. See "Management", "Principal Stockholders", "Certain Transactions" and "Description of Securities."

(2) The NVC Warrants.

(3) The Warrants and the NVC Warrants. The NVC Warrants are of the same class as the Warrants and have the same terms and conditions.

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SUMMARY FINANCIAL INFORMATION

The summary financial information set forth below is derived from the more detailed financial statements appearing elsewhere in this Prospectus. This information should be read in conjunction with the financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Prospectus. The following data, insofar as it relates to the years ended December 31, 1994 and 1995, has been derived from audited financial statements and notes thereto appearing elsewhere herein. The data for the nine months ended September 30, 1995 and 1996 has been derived from unaudited financial statements also appearing herein which, in the opinion of management, include all adjustments, consisting of only normal, recurring adjustments, necessary for a fair statement of the results of operations for such unaudited periods. The results of operations for the nine months ended September 30, 1995 and 1996 are not necessarily indicative of the results to be expected for the entire year.

STATEMENTS OF OPERATIONS DATA:

<TABLE>

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	NINE MONTHS ENDED			
	YEARS ENDED DECEMBER 31,		SEPTEMBER 30, (UNAUDITED)	
	1994	1995	1995	1996
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$ 352	\$ 12,144	\$ 2,759	\$ 23,084
Operating loss.....	(196,581)	(571,443)	(271,295)	(582,540)
Net loss.....	(172,682)	(549,738)	(256,233)	(663,763)
Pro forma net loss per share(1)(2)(3).....	(0.10)	(0.32)	(0.15)	(0.38)
Pro forma weighted number of shares outstanding(3).....	1,730,800	1,730,800	1,730,800	1,730,800

BALANCE SHEET DATA:

<TABLE>

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	SEPTEMBER 30, 1996 (UNAUDITED)		
	ACTUAL	PRO FORMA(3)	AS ADJUSTED(4)
<S>	<C>	<C>	<C>
Cash and cash equivalents.....	\$ 101,367	\$ 101,367	\$ 4,559,182



Working capital.....	(122,153)	(122,153)	4,610,847
Total assets.....	297,928	297,928	5,006,964
Total stockholders' equity.....	20,304	20,304	4,853,304

- (1) See note 2 of the notes to the Company's financial statements appearing elsewhere in this Prospectus for information concerning the calculation of pro forma net loss per share.
- (2) From inception until May 12, 1995, the Company was an "S" corporation for federal income tax purposes and, accordingly, all items of income, gain, loss and credits of the Company were reported by its stockholders in proportion to their stock interest in the Company.
- (3) Pro forma and pro forma as adjusted data assumes 1,650,000 shares of Common Stock outstanding after giving effect to (i) the conversion of all outstanding shares of Preferred Stock into 8,626 shares of Common Stock, (ii) the subsequent stock split of 172.7336 for 1 and the contribution of 632,390 shares of Common Stock to the Company by certain stockholders, and (iii) the issuance of an additional 60,000 shares of Common Stock to the Company's counsel. In addition, pro forma net income (loss) per share data assumes an additional 80,800 shares of Common Stock equivalents as a result of options granted pursuant to the Option Plan to the Company's Chief Executive Officer and Chief Technology Officer to acquire an aggregate 404,000 shares of Common Stock at an exercise price of \$4.00 per share. See note 2 of the notes to the Company's financial statement appearing elsewhere in this Prospectus.
- (4) Adjusted to reflect the sale of Securities offered hereby and the net proceeds therefrom (assuming an initial public offering price of \$5.00 per Share and \$0.25 per Warrant and after deducting the underwriting discounts and commissions and expenses of the Offering estimated at approximately \$1,285,000 and assuming no exercise of the Over-Allotment Option), the satisfaction of \$250,000 of short-term indebtedness in connection with issuance of the NVC Warrants and the payment of accrued dividends on the Preferred Stock. See "Use of Proceeds." Does not include the proceeds from the sale of shares of Common Stock pursuant to the exercise of any Warrants (including the NVC Warrants), the Underwriter's Option, the Principal Stockholder's Options and any options granted pursuant to the Option Plan.

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RISK FACTORS

AN INVESTMENT IN THE SECURITIES OFFERED HEREBY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, THE FOLLOWING RISK FACTORS SHOULD BE CONSIDERED CAREFULLY IN EVALUATING THE COMPANY AND ITS BUSINESS BEFORE PURCHASING THE SECURITIES OFFERED HEREBY. PROSPECTIVE INVESTORS SHOULD BE IN A POSITION TO RISK THE LOSS OF THEIR ENTIRE INVESTMENT. THIS PROSPECTUS CONTAINS FORWARD-LOOKING INFORMATION WHICH INVOLVES RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED BY SUCH FORWARD-LOOKING INFORMATION AS A RESULT OF VARIOUS FACTORS, INCLUDING THOSE SET FORTH IN THE FOLLOWING RISK FACTORS AND ELSEWHERE IN THIS PROSPECTUS.

DEVELOPMENT STAGE COMPANY; LIMITED OPERATING HISTORY. The Company was founded in December 1993 and commenced offering the PC411 service to personal computer users with modems on a dial-up basis in December 1994. Accordingly, the Company has only a limited operating history, has not yet developed any significant customer base or realized any significant revenues and is considered a "development stage company" under generally accepted accounting principles. The Company's prospects must be evaluated in light of the risks and uncertainties frequently encountered by a company in an early stage of development. The evolving markets for on-line Internet and private intranet services in which the Company operates, or intends to operate, makes these risks and uncertainties particularly pronounced. To address these risks, the Company must, among other things, widely distribute PC411 FOR WINDOWS, create and distribute a version of this software for other operating systems, generate use of the PC411 service, further develop, modify and enhance its service for use on the Internet, successfully execute its sales and marketing strategies to build brand identity for PC411, attempt to generate revenue from the Company's Web site, modify and market the PC411 service for use by large organizations on

their private intranets, and develop relationships with third parties for purposes of general distribution and specific industry penetration. Furthermore, the Company must respond to competitive developments, attract, retain and motivate qualified personnel, develop and continue to upgrade its services and technologies and commercialize its services incorporating these technologies. There can be no assurance that the Company will succeed in addressing any or all of these risks or that the Company will achieve or sustain any significant revenues or that the Company will achieve profitability. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

FINANCIAL CONDITION; GOING CONCERN QUALIFICATION IN AUDITOR'S REPORT. Since its inception, the Company has incurred substantial costs to develop its software and systems, to design, equip and open a data center to process customer search requests and to modify and enhance its software and systems to offer directory assistance over the Internet. The Company has incurred net losses in each quarter since inception and, as of September 30, 1996, had an accumulated deficit of \$1,386,183 and a working capital deficit of \$122,153. AS A RESULT, THE REPORT OF THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS, IN CONNECTION WITH THE AUDIT OF THE COMPANY'S FINANCIAL STATEMENTS AS OF DECEMBER 31, 1995, INCLUDES AN EXPLANATORY PARAGRAPH STATING THAT THE COMPANY'S LOSSES FROM OPERATIONS AND DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE RAISES SUBSTANTIAL DOUBT ABOUT THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN. The Company's continuation as a going concern is dependent upon its ability to obtain additional financing, generate sufficient cash flow to meet its obligations on a timely basis and ultimately to attain profitable operations. To the extent such losses continue, the Company's accumulated deficit and working capital deficit would increase. The Company anticipates that its operating expenses will increase substantially in the foreseeable future as it initiates a sales and marketing program for PC411, introduces directory services over the Internet and implements its data accumulation strategies. Accordingly, the Company expects to incur additional losses and there can be no assurance that the Company will be successful or that the Company will achieve profitability by generating sufficient revenues to offset anticipated costs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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DEPENDENCE UPON OFFERING; SIGNIFICANT CAPITAL REQUIREMENTS; NEED FOR ADDITIONAL FINANCING. Since inception the Company has incurred significant losses and substantial negative cash flow. The Company has financed its operations through the private placement of preferred stock and secured short-term borrowings from NVC. The Company's marketing strategy and its ability to enhance its services and develop new services will take time to develop and require substantial expenditures of capital. The Company is dependent on the proceeds of the Offering to continue its commercial activities and management anticipates, based on its currently proposed plans and assumptions relating to its operations, that the net proceeds of the Offering will be sufficient to satisfy its contemplated cash requirements for the twelve month period following the date of this Prospectus, although there can be no assurance in this regard. The Company will require a significant amount of capital to support sales and marketing efforts, establish a brand identity for the PC411 service among SOHO and corporate users, develop and enhance the PC411 service available over the Internet, for operating expenses, and for working capital purposes. The Company's cash requirements may vary because of delays in the development and enhancement of the PC411 service, less than anticipated market acceptance of the PC411 service, competitive and technological advances by the Company's competitors, regulatory changes, and increased competition. Furthermore, the Company must continue to enhance and expand its services and meet the increasing demands for service, product features, quality, and availability. Consequently, the Company's ability to grow depends, in part, on its ability to develop new services, create and distribute versions of PC411 FOR WINDOWS for other operating systems, expand operations as well as develop industry alliances and relationships, all of which will require significant capital investments. If the Company's capital requirements exceed current expectations or if the Company's cash flow from operations during the next twelve months is less than anticipated, the Company will need to raise additional capital from equity or debt sources during such period. There can be no assurance that the Company will be able to raise such capital when needed or on terms and conditions acceptable to the Company, if at all. To the extent the Company raises additional capital by issuing equity securities, investors in the Offering may experience dilution in their ownership of the Common Stock of the Company. The failure of the Company to raise capital on acceptable terms when needed will have a material adverse effect on the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and

UNPROVEN MARKETING STRATEGY; ACCEPTANCE OF SERVICES. The future business of the Company depends upon its ability to develop and market the PC411 service for the SOHO market through the Internet and to large organizations for use on their private intranets. In an effort to increase use of the PC411 service, the Company has entered into agreements with three hardware manufacturers and one modem manufacturer to bundle PC411 FOR WINDOWS within certain segments of their product lines. The Company intends to expand this program to include other computer equipment manufacturers, software developers and digital publishers. There can be no assurance that the Company will be able to maintain such arrangements or enter into additional similar arrangements with other computer equipment manufacturers. In addition, these arrangements, in general, are non-exclusive and may be terminated upon little or no notice. Termination of existing agreements or the failure to enter into new agreements may have a material adverse effect on the Company's business, results of operations and financial condition. The Company has begun to offer a limited version of the PC411 service over the Internet at [HTTP://WWW.PC411.COM](http://WWW.PC411.COM). Revenues would be generated by subscription fees for access via direct dial-up and for enhanced searches via direct Internet connection and, to a limited extent, by selling advertising to third parties. Currently, other on-line directory services available on the Internet are being marketed to the general public and are free of charge. There can be no assurance that the Company's strategy of targeting the SOHO market on a subscription based arrangement will be successful. In addition, to date, the Company has not generated any advertising revenue and it does not expect to generate any such revenue, if at all, until such time as it can demonstrate that it can attract a significant number of users to its Web site. The Company will have to spend a significant amount of capital marketing the PC411 service in order to generate substantial viewership of its Web site. Advertising revenue will be a function not only of the Company's ability to attract users to its

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Web site, but also in the continued expansion of, and growth in, the use of the Internet and the Web and the development of the Internet as an advertising medium. If demand for Internet services fails to grow, grows more slowly than anticipated, or if the Internet does not develop as an effective outlet for the Company's services, or becomes saturated with competitors, the Company's business, operating results and financial condition will be adversely affected. In addition, the market for Internet services and related software products is in an early stage of growth. Rapid growth in the use of, and interest in, the Internet and the Web is a recent phenomenon, and there can be no assurance that communication or commerce over the Internet will continue to grow or become widespread or that extensive content will continue to be provided over the Internet. In addition, the Internet market is new and the utility of available services is not well understood by new and potential subscribers. Finally, because competing Internet on-line services are currently being provided, it is difficult to predict the rate at which the market will grow or the rate at which new or increased competition will result in market saturation. For all the foregoing reasons, there can be no assurance that the Company will be able to generate significant interest in the Company's Web site nor that it will be able to sell advertising to third parties.

The Company also intends to market the PC411 service to large organizations for use on their private intranets. The Company has not yet entered into any agreement to provide intranet services, nor can there be any assurance that any such arrangements will be entered into in the future. There can be no assurance that the Company will bring any of its services to market or that such services will be commercially viable, or that the Company will be able to provide its services on a profitable basis. In addition, there can be no assurance that one or more of the Company's many competitors will not provide or develop identical, similar or superior services sooner than the Company or that the Company can provide its services cheaper and more reliably than its competitors. See "Business--Expansion Opportunities" and "--Marketing and Distribution Strategy."

LIMITED USE OF SERVICE. Thus far, there has been limited use of the PC411 service by existing users. As of December 31, 1996, the Company had 7,200 users. Such users have either paid the initial registration fee or have signed up for the trial period which expires on the earlier of 30 days after sign-up or after 10 searches. Upon payment of the initial registration fee, a user is entitled to 30 searches without additional charge. Very few users have exhausted their entitlement. There can be no assurance that existing or new users will use the PC411 service on a regular basis or that such users will generate any additional

revenues for the Company. Future marketing efforts will have to convince potential customers to change their habits with respect to directory assistance services. Rather than simply using the telephone, a potential user must start his computer, access the PC411 service, and initiate a search. There can be no assurance that such marketing efforts will be successful. In addition, competing services offered over the Internet, including services offered by the Company, at no charge, may discourage existing and potential users from starting or continuing to use the fee-based PC411 service.

**RAPID TECHNOLOGICAL CHANGE.** The industry in which the Company operates and the market for the Company's services is characterized by rapid technological developments, evolving industry standards, and frequent new product and service introductions and enhancements. The development and introduction of new products and services could render the Company's existing services obsolete and unmarketable. The Company's business depends in significant part on its ability to continually improve the performance, features, and reliability of the PC411 service and to modify the PC411 service to work with new technological standards in response to both evolving demands of the marketplace and competitive products and services. The Company's pursuit of improved performance, new features, and necessary technological advances will require substantial time and expense, and there can be no assurance that the Company will succeed in adapting its services to changing technology standards and customer requirements. Although the Company intends to support emerging Internet standards, there can be no assurance that industry standards will emerge or if they become established, that the Company will be able to conform to these new standards in a timely and economic fashion and maintain a competitive position in the market. There can be no assurance that the announcement or introductions of new products or services

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by the Company or its competitors or any change in industry standards will not cause customers to defer or cancel purchases of existing services, which could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Industry Background" and "Current Products and Services."

**COMPETITION.** The on-line services market and the market for listing information and related services is extremely competitive and there are no substantial barriers to entry. The Company expects that competition will intensify in the future. The Company believes that its ability to compete successfully depends upon a number of factors, including brand awareness and market presence; the quality and completeness of its data; the accuracy of its search techniques; the pricing policies of its competitors and suppliers; the features, ease of use and timing of introductions of new services by the Company and its competitors; the ability of the Company to establish co-marketing relationships; and industry and general economic trends.

In the general directory marketplace, the Company currently competes with traditional and widely used directory services such as the printed "white" and "yellow" pages, operator assisted directory services, on-line directories, CD-ROM directories (such as those provided by the Company's data supplier, Pro CD, Inc.) and with mailing list providers, many of which provide their information both in electronic and traditional forms. The Company is currently aware of approximately a dozen Web sites that provide residential and business listings and/or E-mail addresses, including those belonging to Netscape Communications Corporation and Yahoo!, Inc. All of the Company's competitors have substantially greater financial, technical, human, and marketing resources than those of the Company and greater experience than the Company in developing and marketing on-line services and directory databases. Such companies include the local, regional and long distance telecommunication companies, telephone directory publishers, on-line or Internet services, a multitude of regional, international and industry specific directory companies, and a variety of commercial and institutional search engines and databases. Many of the Company's competitors provide and may, in the future, provide directory assistance listings for free in order to attract viewership and advertise their other products. Telephone companies have provided directory assistance services for many years in conjunction with their common carrier telephone communication services. They also control the updating, production and distribution of telephone books which contain telephone numbers and address information. Traditionally, they have held dominant positions in their respective markets. Telephone companies may respond to new competition, including competition from the PC411 service, by enhancing their services in ways that cannot be matched by PC411 due to their position in the telecommunications industry and by linking directory assistance service to other products and services they offer. There

can be no assurance that the Company will have the financial resources, technical expertise or marketing and support capabilities to compete successfully in the market-place. Competitive pressures could result in reduced market share, price reductions, and increased spending on marketing and product development, which could adversely affect the Company's ability to acquire, maintain and/or gain market share. See "Business--Compensation."

**RELIANCE ON SINGLE SERVICE.** The Company anticipates that initially all of its revenues will be related to the PC411 service. Because of this revenue concentration, the failure to realize market acceptance for the PC411 service will have a material adverse effect on the Company's operating results and financial condition. The Company began providing the PC411 service in December 1994 and has realized limited revenues with respect thereto. No assurance can be given that use of the PC411 service will satisfy users' expectations or achieve market acceptance.

**DEFECTS.** Services as complex as those offered by the Company may contain undetected errors or defects when first introduced or as new versions are released. There can be no assurance that, despite testing by the Company or its customers, errors will not be found in its services after commencement of commercial deployment, resulting in product redevelopment costs and loss of, or delay in, market

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acceptance, delays in collecting accounts receivable and additional service costs. From time to time users of the PC411 service have experienced delays or difficulty in accessing the PC411 service.

**QUALITY OF DATA; RELIANCE ON THIRD PARTIES FOR DATA.** The Company currently licenses its telephone book listing data from Pro CD, Inc. ("Pro CD"), which compiles its data by copying telephone books as they are published--normally on an annual basis. Therefore, the listing information provided by the Company could be at times out of date, inaccurate or incomplete, which might adversely impact customer acceptance of the PC411 service. The license with Pro CD is effective through August 31, 1999 with an option to renew for one additional year. If the Company were unable to renew the license, were unable to enter into a new license after August 31, 2000, caused the license to be terminated prior to its expiration date due to a breach of the terms of the license or if Pro CD discontinues its business for any reason prior to the license's expiration date and the Company were unable to obtain the data from other sources, the loss of the data would have a material adverse effect on the Company's business. There can be no assurance that the Company will be able to develop a substitute to Pro CD or to obtain alternative sources on favorable economic terms or in a timely manner. Any delays in obtaining or developing substitute sources for the data could have a material adverse effect on the Company.

**LIMITED COMPUTING FACILITIES; RISK OF SYSTEM FAILURE.** The business of the Company is dependent upon its ability to deliver high quality and accurate information to its users on a timely basis. As the business of the Company grows, it will need to expand and adapt its network infrastructure to accommodate an increase in the number of users and to integrate new and emerging technologies and equipment into its system. The expansion and adaptation of the Company's computing facilities will require substantial financial, operational, and management resources and are likely to increase the risk of system failure and cause unforeseen strains on the system. The Company has experienced hardware and software failures in the past and, as a result, the Company's subscribers have experienced difficulties in accessing the PC411 service. Any system failure that causes interruption of, or an increase in, response time to the Company's service could result in lost revenues and, if sustained or repeated, could result in lost customers and could damage the reputation of the Company. There can be no assurance that the Company will be able to expand its computing facilities in a timely and cost effective manner or insure that the service operates without interruption. The inability to timely upgrade its network infrastructure and operating systems would have a material adverse impact on the business, operating and financial condition of the Company. Furthermore, the Company's operations are dependent on its ability to protect its software and hardware against damage from fire, earthquake, power loss, telecommunications failure, natural disaster and similar events. The Company does not have redundant, multiple site capacity in the event of such occurrence. The Company's computer equipment is located at its facilities in Inglewood, California. Any damage or failure that causes interruptions in the Company's operations could have a material adverse effect on the Company's business and results of operations. While the Company carries property and business interruption

insurance, such coverage may not be adequate to compensate the Company for all losses that may occur.

The Company will rely on third parties to provide access to the Internet. The Company currently has a partial T1 connection to Delta Internet Services ("DeltaNet") for its Internet connection. Any disruption in the Internet access provided by DeltaNet or any failure of DeltaNet to handle higher volumes of queries could have a material adverse effect on the Company's business, results of operations, and financial condition. There can be no assurance that the Company will not experience service disruptions due to failures by DeltaNet or other third party Internet service providers, and any such disruptions could have a material adverse effect on the Company's business, results of operations, and financial condition. See "Business--Technology and Product Development."

From time to time, subscribers have experienced significant delays in contacting, and in receiving responses from the Company's customer and technical support personnel. In certain situations, these events have created customer relations issues for the Company. There can be no assurance that the Company will be able to provide adequate customer service or technical support to its subscribers. A

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failure to manage effectively its growth or to provide adequate customer support services will adversely affect the Company's ability to increase its customer base and could therefore have a material adverse effect on the Company's business, financial condition or results of operations.

**SECURITY RISKS.** Despite the implementation of network security measures by the Company, such as limiting physical and network access to its computers, its system infrastructure is vulnerable to computer viruses, break-ins and similar disruptive problems caused by its customers or other authorized or unauthorized users. Computer viruses, break-ins or other problems caused by third parties could lead to interruption, delays or cessation in service to the Company's customers. Furthermore, such inappropriate actions by third parties could also potentially jeopardize the security of confidential information stored in the computer systems of the Company's customers and other parties connected to the system, which may deter potential subscribers. Persistent security problems continue to plague public and private data networks. Alleviating problems caused by computer viruses, break-ins or other problems caused by third parties may require significant expenditures of capital and resources by the Company, which could have a material adverse effect on the Company. However, there can be no assurance that the Company can protect its system from unauthorized users. Moreover, until more comprehensive security technologies are developed, the security and privacy concerns of existing and potential customers may inhibit the growth of the Internet in general and the Company's customer base and revenues in particular.

**RISKS OF GROWTH AND EXPANSION; LIMITED MARKETING, DISTRIBUTION AND SALES CAPABILITY; SUBSTANTIAL DEPENDENCE UPON THIRD PARTIES; ABILITY TO ATTRACT QUALIFIED PERSONNEL.** The Company is in an early stage of development and has yet to establish substantial internal management, personnel and other resources. Failure to manage the Company's growth properly could have a material adverse effect on the Company's business, financial condition or results of operations. The Company currently has two full-time and two part-time employees. Accordingly, the Company will depend substantially upon third parties for several critical elements of its business including, among others, technology, infrastructure, and distribution activities. Any measurable growth in the Company's business will result in additional demands on its customer support, sales, marketing, administrative and technical resources and network infrastructure, and will place a significant strain on the Company's management, administrative, operational, financial and technical resources and increased demands on its systems and controls. The Company believes that it will need, both in the short- and the long-term, to hire additional qualified administrative, technical, sales, marketing and management personnel to manage and support this growth. There can be no assurance that the Company's technical staff and resources will be adequate to facilitate its growth. Competition for qualified employees is intense, and the Company may not be able to find suitable personnel to meet its immediate needs. In addition, there can be no assurance that the Company's operating and financial control systems will be adequate to support its future operations and anticipated growth. The inability to continue to upgrade the operating and financial control systems, to recruit and hire necessary personnel or the emergence of unexpected expansion difficulties could have a material adverse effect on the Company's business, financial condition or

results of operations.

The Company has limited resources for marketing, distribution and sales. Heretofore, the Company has had limited sales activity and did not have experienced sales personnel upon which to build a sales force. Senior management will expend its efforts to establish co-marketing relationships which will enhance the Company's ability to market and distribute the PC411 service. Also, the Company plans to allocate a portion of the net proceeds of the Offering to hiring senior-level account executives to market and distribute the PC411 service. There can be no assurance that the Company will be able to hire such persons or that it will be successful in marketing and selling the PC411 service. See "Business--Marketing and Distribution."

The Company anticipates that it will rely on one or more third party sales representative firms to generate advertising sales. These third parties will have primary responsibility for all aspects of advertising sales and the collection of advertising payments. There can be no assurance that the Company's advertising representatives will achieve the Company's advertising sales objectives. Any failure of the Company's third

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party agents to achieve successful advertising sales could have a material adverse effect on the Company's business, results of operations and financial condition. See "Business--Marketing and Distribution."

**GOVERNMENT REGULATION; POTENTIAL LIABILITY FOR INFORMATION DISSEMINATED THROUGH THE INTERNET.** Generally, there are few specific government imposed limitations or guidelines pertaining to customer privacy or the price, service characteristics or capabilities, geographic distribution or quality control features of products and services sold over the Internet. There exists, however, the risk that a U.S. governmental policy for regulating the data network industry could be affected by executive order, legislation or administrative rules or orders. Any such policy or regulations could have a material adverse effect on the Company, particularly if it makes use of and access to the Internet more difficult or costly. Similarly, the Company cannot predict the impact, if any, that future legislation may have on its business. There is currently pending in Congress legislation which would grant protection similar to copyright protection to compilers of data. Such legislation, if enacted, may give telephone companies the right to preclude others, such as Pro CD, from converting printed telephone directories into digital format without the consent of the telephone companies. In such event, the Company would have to seek alternative sources for licensing its database. There can be no assurance that such alternative sources would be available or would be willing to enter into a license arrangement with the Company on terms and conditions acceptable to the Company, if at all. In addition, recent legislative enactments, such as the Telecommunications Act of 1996 (the "Telecommunications Act"), and pending legislative proposals aimed at limiting the use of the Internet to transmit certain information may decrease demand for Internet access, chill the development of Internet content, or have other adverse affects on Internet service and product providers such as the Company. In addition, in light of the uncertainty attached to the interpretation, application and enforcement of the Telecommunications Act and other laws relating to the Internet and on-line service and product providers, there can be no assurance that the Company would not have to modify its operations to comply with the law. Finally, although the Company currently provides information that is readily available to the public, there can be no assurance that due to the ease and price at which this information is available through the PC411 service that the Company will not face issues regarding invasion of privacy. Such issues may also arise in connection with the proposed development of a directory of E-mail addresses. Regulatory changes or new regulations relating to the telecommunications and media industries or with respect to invasion of privacy could directly affect the Company's business by either placing restrictions on the Company or creating opportunities for other competitors. See "Business--Regulations."

**INTELLECTUAL PROPERTY.** The Company regards its copyrights, service mark, trade secrets, and similar intellectual property as important to its success, and relies upon trademark and copyright law, trade secret protection, and confidentiality and/or license agreements with its employees, customers, and others to protect its proprietary rights. The Company owns the mark "PC411" which is a registered service mark on the principal register of the United States. In addition, the Company has copyrighted PC411 FOR WINDOWS. No assurance can be given that any copyright or service mark will be enforceable or that any copyright or other right will exclude competitors from using the same or similar

marks or provide competitive advantages to the Company. The Company intends to protect its servicemark and copyrights by taking appropriate legal action whenever necessary, although there can be no assurance that the Company will be able to effectively enforce or protect its rights and prevent others from using the same or similar marks or copyrights. The Company's inability or failure to establish, or adequately protect its intellectual property rights may have a material adverse effect on the Company. In March 1995, the Company was notified by a California company that the Company's use of the "PC 411" name or any name with "411" infringed upon that company's right to their registered trademark and demanded that the Company cease and desist from use of the Company's registered "PC411" mark. The Company rejected such demand. The Company believes that its use of its registered mark, "PC411," does not infringe upon the other company's mark. A determination that the Company's use of PC411 infringes or otherwise violates the rights of owners of similar marks may cause the Company to incur significant expense and may also have a material adverse effect on the Company. See "Business--Intellectual Property."

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FLUCTUATIONS IN QUARTERLY OPERATING RESULTS. The Company's quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, some of which are outside of the Company's control. These factors include general economic conditions, acceptance and use of the Internet, user demand for directory assistance services, capital expenditures and other costs relating to the expansion of operations, the timing of new product announcements by the Company or its competitors, changes in marketing strategies by the Company or its competitors, market availability and acceptance of new enhanced versions of the Company's or its competitors' products and services. These factors could also have a material adverse effect the Company's annual results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

LITIGATION INVOLVING UNDERWRITER MAY AFFECT SECURITIES. The Company has been advised by the Underwriter, that on or about May 22, 1995, the Underwriter and Elliot Loewenstern and Richard Bronson, principals of the Underwriter, and the Securities and Exchange Commission (the "Commission") agreed to an offer of settlement (the "Offer of Settlement") in connection with a complaint filed by the Commission in the United States District Court for the Southern District of Florida alleging violations of the federal securities laws, Section 17(a) of the Securities Act of 1933, as amended (the "Securities Act"), Section 10(b) and 15(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rules 10b-5, 10b-6 and 15c1-2 promulgated thereunder. The complaint also alleged that in connection with the sale of securities in three (3) initial public offerings ("IPOs") in 1992 and 1993, the Underwriter engaged in fraudulent sales practices. The proposed Offer of Settlement was consented to by the Underwriter and Messrs. Loewenstern and Bronson without admitting or denying the allegations of the complaint. The Offer of Settlement was approved by Judge Gonzales on June 6, 1995. Pursuant to the final judgment (the "Final Judgment"), the Underwriter:

- was required to disgorge \$1,000,000 to the Commission, which amount was paid in four (4) equal installments on or before June 22, 1995;
- agreed to the appointment of an independent consultant ("Consultant").

Such Consultant was obligated, on or before November 1, 1996:

- to review the Underwriter's policies, practices and procedures in six (6) areas relating to compliance and sales practices;
- to formulate policies, practices and procedures for the Underwriter that the Consultant deems necessary with respect to the Underwriter's compliance and sales practices;
- to prepare a report devoted to and which details the aforementioned policies, practices and procedures (the "Report");
- to deliver the Report to the President of the Underwriter and to the staff of the Southeast Regional office of the Commission;
- to prepare, if necessary, a supervisory procedures and compliance manual for the Underwriter, or to amend the Underwriter's existing manual; and
- to formulate policies, practices and procedures designed to provide



mandatory on-going training to all existing and newly hired employees of the Underwriter. The Final Judgment further provides that, within thirty (30) days of the Underwriter's receipt of the Report, unless such time is extended, the Underwriter shall adopt, implement and maintain any and all policies, practices and procedures set forth in the Report.

On or about December 19, 1996, the Consultant completed the Report which was thereafter delivered to the Underwriter. The Report addresses the areas relating to compliance and sales practices referred to above. The Underwriter is reviewing the Report and undertaking steps to implement the recommendations and procedures in the Report, in accordance with the provisions of the Final Judgment.

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The Final Judgment also provides that an independent auditor ("Auditor") shall conduct four (4) special reviews of the Underwriter's policies, practices and procedures, the first such review to take place six (6) months after the Report has been delivered to the Underwriter and thereafter at six-month intervals. The Auditor is also authorized to conduct a review, on a random basis and without notice to the Underwriter, to certify that any persons associated with the Underwriter who have been suspended or barred by any Commission order are complying with the terms of such orders.

On July 10, 1995, the action against Messrs. Loewenstern and Bronson was dismissed with prejudice. Mr. Bronson has agreed to a suspension from associating in any supervisory capacity with any broker, dealer, municipal securities dealer, investment advisor or investment company for a period of twelve (12) months, dating from the beginning of such suspension. Mr. Loewenstern has agreed to a suspension from associating in any supervisory capacity with any broker, dealer, municipal securities dealer, investment advisor or investment company for a period of twelve (12) months commencing upon the expiration of Mr. Bronson's suspension.

In the event that the requirements of the foregoing judgment adversely affect the Underwriter's ability to act as a market maker for the Securities, and additional broker-dealers do not make a market in the Company's Securities, the market for, and the liquidity of, the Company's securities may be adversely affected. In the event that other broker-dealers fail to make a market in the Company's securities, the possibility exists that the market for and the liquidity of the Company's securities may be adversely affected to such an extent that public security holders may not have anyone to purchase their securities when offered for sale at any price. In such event, the market for, liquidity and prices of the Company's securities may not exist. For additional information regarding the Underwriter, investors may call the National Association of Securities Dealers, Inc. at (800) 289-9999. See "Underwriting."

**RECENT STATE ACTION INVOLVING THE UNDERWRITER--POSSIBLE LOSS OF LIQUIDITY.** The State of Indiana has commenced an action seeking, among other things, to revoke the Underwriter's license to do business in such state. A hearing in this matter was scheduled for October 7, 1996 and has been adjourned pending settlement discussions. Such proceeding if ultimately successful may adversely affect the market for and liquidity of the Company's securities if additional broker dealers do not make a market in the Company's securities. Moreover, should Indiana investors purchase any of the Securities sold in the Offering from the Underwriter prior to the possible revocation of the Underwriter's license in Indiana, such investors will not be able to resell such Securities in such state through the Underwriter but will be required to retain a new broker-dealer firm for such purpose. The Company cannot ensure that other broker-dealers will make a market in the Company's securities. In the event that other broker dealers fail to make a market in the Company's securities, the possibility exists that the market for and the liquidity of the Company's securities may be adversely affected to an extent that public security holders may not have anyone to purchase their securities when offered for sale at any price. In such event, the market for, liquidity and prices of the Company's securities may not exist. The Company does not intend to seek qualification for the sale of the Securities in the state of Indiana. It should be noted that although the Underwriter may not be the sole market maker in the Company's securities, it will most likely be the dominant market maker in the Company's securities. See "Underwriting."

**IMMEDIATE AND SUBSTANTIAL DILUTION.** The Company had a pro forma net tangible book value of \$20,304, or approximately \$0.01 per share, based on the Company's September 30, 1996 balance sheet and 1,650,000 shares of Common Stock

outstanding immediately prior to the closing of the Offering. After giving effect to the sale of the Shares and Warrants offered hereby at an assumed offering price of \$5.00 per Share and \$0.25 per Warrant and after deducting underwriting discounts, estimated offering expenses, the satisfaction of certain short-term indebtedness in connection with the issuance of the NVC Warrants and the payment of accrued dividends on the Preferred Stock, adjusted net tangible book value would be \$4,853,304 or approximately \$1.73 per share. The result will be an immediate increase in net tangible book value per share of approximately \$1.72 to existing stockholders and an immediate dilution to new investors of approximately \$3.27 per share (65.6%). See "Dilution."

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**BROAD DISCRETION IN APPLICATION OF PROCEEDS.** Approximately \$4 million (83.8%) of the estimated net proceeds from the Offering has been allocated to working capital and general corporate purposes. Accordingly, the Company will have broad discretion as to the application of such proceeds without prior stockholder approval. In addition, the management of the Company has broad discretion to adjust the application and allocation of the net proceeds of the Offering, including funds received upon exercise of the Warrants, in order to address changed circumstances and business opportunities. As a result of the foregoing, the business of the Company will be substantially dependent upon the discretion and judgment of the management of the Company with respect to the application and allocation of the net proceeds hereof. See "Use of Proceeds."

**NEW SENIOR MANAGEMENT; DEPENDENCE ON MANAGEMENT.** In January 1997, the Company's Board of Directors elected Dean R. Eaker President and Chief Executive Officer and Edward A. Fleiss Vice President-Chief Technology Officer to replace the previous officers of the Company who resigned. In addition, in January 1997 the members of the Company's Board of Directors resigned and new directors were elected. The election of a new Chief Executive Officer and a new Chief Technology Officer has inherent risks. If Messrs. Eaker and Fleiss are unable to become sufficiently knowledgeable about the Company's technology, operations and business affairs, they may not be able to provide the needed direction for the Company's growth and development which would likely materially adversely affect the Company's results of operations and financial condition. Messrs. Eaker and Fleiss are currently the only full-time employees of the Company. Accordingly, the loss of the services of either Mr. Eaker or Mr. Fleiss could have a substantial adverse impact on the Company. The Company has entered into a three year employment agreement with each of Mr. Eaker and Mr. Fleiss commencing on the date of this Prospectus. Under this agreement, Mr. Eaker is to be paid an annual salary of \$180,000 and Mr. Fleiss is to be paid an annual salary of \$96,000. In addition, the Company has agreed to maintain key-man life insurance on Mr. Eaker. The Company will be the beneficiary of such policy. There can be no assurance, however, that the death of Mr. Eaker or the departure of either Mr. Eaker or Mr. Fleiss for any reason would not have a material adverse effect on the operations of the Company. See "Business" and "Management."

**CONCENTRATION OF STOCK OWNERSHIP.** Upon completion of the Offering, NVC and/or DAH, will beneficially own approximately 60.3% of the outstanding Common Stock of the Company (57.3% if the Over-Allotment Option is exercised in full). As a result, NVC and/or DAH will be able to control all matters requiring stockholder approval, including the election of directors, the appointment of officers and approval of significant corporate transactions including the sale of the Company or all or substantially all of its assets. Such concentration of ownership may also have the effect of delaying or preventing a change in control of the Company. In addition, the Company is subject to a State of Delaware statute regulating business combinations which may also hinder or delay a change of control. See "Management" and "Principal Stockholders."

**ABSENCE OF DIVIDENDS.** The Company does not expect to pay cash or stock dividends on its Common Stock in the foreseeable future. To the extent, the Company has earnings in the future, it intends to retain such earnings in the business operations of the Company. See "Dividend Policy."

**LIMITATION ON DIRECTOR LIABILITY.** As permitted by the Delaware General Corporation Law ("DGCL"), the Company's Restated Certificate of Incorporation limits the liability of its directors to the Company or to its stockholders for monetary damages for breach of a director's fiduciary duty, including breaches which constitute gross negligence, subject to certain limitations imposed by the DGCL. As a result, under certain circumstances, neither the Company nor the stockholders will be able to recover damages, even if directors take action which harm the Company. See "Management" and "Underwriting."

LACK OF PUBLIC MARKET; DETERMINATION OF OFFERING PRICE; VOLATILITY OF PRICES OF THE SECURITIES. Prior to the Offering, there has been no public market for the Securities. Although the Company has applied for listing of the Common Stock and the Warrants on the Nasdaq SmallCap Market under the symbols PCFR and PCFRW, respectively, there can be no assurance that they will be quoted on such system or under such

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symbols or that an active public market for the Securities will be developed or be sustained after the Offering. The offering price of the Shares and Warrants offered hereby were arbitrarily determined by negotiations between the Company and the Underwriter and do not necessarily relate to the assets, book value or results of operations of the Company or any other established criteria of value. Trading prices of the Securities could be subject to wide fluctuations in response to variations in the Company's operating results, announcements by the Company or others, developments affecting the Company or its competitors, suppliers or customers and other events or factors. In addition, the over-the-counter stock market has experienced extreme price and volume fluctuations in recent years. These fluctuations have had a substantial impact on the market prices of many companies, often unrelated to their performance, and may adversely affect the market prices for any or all of the Securities. See "Underwriting."

CURRENT PROSPECTUS AND STATE REGISTRATION REQUIRED TO EXERCISE WARRANTS. The Company will be able to issue shares of Common Stock upon exercise of the Warrants only if there is a current prospectus relating to such Common Stock under an effective registration statement filed with the Commission and only if such shares of Common stock are qualified for sale or exempt from qualification under applicable state securities laws of the jurisdictions in which the various Warrantheolders reside. Although the Company has agreed to use its best efforts to meet such regulatory requirements, there can be no assurance that the Company will be able to do so. Although the Warrants will not knowingly be sold to purchasers in jurisdictions in which the Warrants are not registered or otherwise qualified for sale, purchasers may buy Warrants in the aftermarket or may move to jurisdictions in which the Common Stock issuable upon exercise of the Warrants is not so registered or qualified. In this event, the Company would be unable to issue shares of Common Stock to those Warrantheolders upon exercise of the Warrants unless and until the Common Stock issuable upon exercise of the Warrants are qualified for sale or exempt from qualification in jurisdictions in which such holders reside. Accordingly, the Warrants may be deprived of any value if a then current prospectus covering the Common Stock issuable upon exercise of the Warrants is not effective pursuant to an effective registration statement or if such Common Stock is not qualified or exempt from qualification in the jurisdictions in which the Warrantheolders reside. There is no assurance that the Company will be able to effect any required registration or qualification.

POTENTIAL ADVERSE EFFECT OF REDEMPTION OF WARRANTS; MARKET OVERHANG. During the Warrant Exercise Period the Company may redeem all, but not less than all, of the Warrants for \$0.01 per Warrant on thirty (30) days prior written notice to the Warrantheolders if the per share closing bid price of the Common Stock as reported on the Nasdaq SmallCap Market equals or exceeds 175% of the initial public offering price per share for any twenty (20) consecutive trading days ending within five (5) days of the notice of redemption. Redemption of the Warrants could force the Warrantheolders to exercise the Warrants and pay the exercise price at a time when it may be disadvantageous for them to do so, to sell the Warrants at the then current market price when they might otherwise wish to hold the Warrants for possible additional appreciation, or to accept the redemption price, which is likely to be substantially less than the market value of the Warrants at the time of redemption. Any Warrantheolder who does not exercise its Warrants prior to their expiration or redemption, as the case may be, will forfeit such holder's right to purchase the shares of Common Stock underlying the Warrants.

DELAWARE ANTI-TAKEOVER STATUTE; ISSUANCE OF PREFERRED STOCK; BARRIERS TO TAKEOVER. The Company is a Delaware corporation and thus, upon the consummation of the Offering, will become subject to the prohibitions imposed by Section 203 of the DGCL, which is generally viewed as an anti-takeover statute. In general, this statute will prohibit the Company, once public, from entering into certain business combinations without the approval of its Board of Directors and, as such, could prohibit or delay mergers or other attempted takeovers or changes in control with respect to the Company. Such provisions may discourage attempts to acquire the Company. In addition, the Company's authorized capital consists of

30,000,000 shares of capital stock of which 25,000,000 shares are designated as Common Stock and 5,000,000 shares are designated as preferred stock. No class other than the Common Stock is currently designated and there is no current plan to designate or issue any such securities. The Board of Directors, without any action by

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the Company's stockholders, is authorized to designate and issue shares in such classes or series (including classes or series of preferred stock) as it deems appropriate and to establish the rights, preferences and privileges of such shares, including dividends, liquidation and voting rights. The rights of holders of preferred stock and other classes of Common Stock that may be issued may be superior to the rights granted to the holders of the existing classes of Common Stock. Further, the ability of the Board of Directors to designate and issue such undesigned shares could impede or deter an unsolicited tender offer or takeover proposal regarding the Company and the issuance of additional shares having preferential rights could adversely affect the voting power and other rights of holders of Common Stock. Issuance of preferred stock, which may be accomplished through a public offering or a private placement, may dilute the voting power of holders of Common Stock (such as by issuing preferred stock with super voting rights) and may render more difficult the removal of current management, even if such removal may be in the stockholders' best interests. Any such issuance of preferred stock could prevent the holders of Common Stock from realizing a premium on their shares. See "Description of Securities."

**POTENTIAL ADVERSE IMPACT ON MARKET PRICE OF SECURITIES; SHARES ELIGIBLE FOR FUTURE SALE; ADDITIONAL REGISTERED SECURITIES.** Sale of substantial amounts of the Company's securities in the public market after the Offering or the perception that such sales may occur could materially adversely affect the market price of the Securities and may impair the Company's ability to raise additional capital by the sale of its equity securities. Upon consummation of the Offering, there will be a total of 2,800,00 shares of Common Stock issued and outstanding (2,972,500 if the Over-Allotment Option is exercised in full) and 2,150,000 Warrants (2,322,500 if the Over-Allotment Option is exercised in full) issued and outstanding. In addition, the following shares of Common Stock have been reserved for issuance: 2,150,000 Shares of Common Stock issuable upon exercise of the Warrants offered hereby (2,322,500 if the Over-Allotment Option is exercised in full); 115,000 shares of Common Stock issuable pursuant to the Underwriter's Option and an additional 115,000 shares issuable upon exercise of the Warrants included in the Underwriter's Option; 500,000 shares issuable upon exercise of the Principal Stockholder's Options; and 750,000 shares issuable upon exercise of options that may be granted under the Option Plan for officers and key employees. After the exercise of all the Warrants and the options described herein, the Company will have 6,775,000 shares of Common Stock outstanding. Any issuance of additional shares of Common Stock may cause current stockholders of the Company to suffer significant dilution which may adversely affect the market price of the Company's securities.

The sale or availability for sale of significant quantities of the Company's securities could materially adversely affect the market price of the Securities. The Company has agreed that except for the issuance of shares of capital stock by the Company in connection with (i) a dividend, recapitalization or similar transactions, (ii) the exercise of warrants or options disclosed in this Prospectus, and (iii) acquisitions (in whole or in part), mergers, consolidations, joint ventures and other combinations, the Company shall not, for a period of twenty-four (24) months following the date of this Prospectus, directly or indirectly, offer, sell, issue or transfer any shares of the capital stock, or any security exchangeable or exercisable for, or convertible into, shares of the capital stock, without the prior written consent of the Underwriter.

Of the 2,800,000 shares of Common Stock and the 2,150,000 Warrants to be outstanding upon completion of the Offering (2,972,500, shares and 2,322,500 Warrants if the Over-Allotment Option is exercised in full), 1,150,000 Shares and 1,150,000 Warrants offered hereby (1,322,500 Shares and 1,322,500 Warrants if the Over-Allotment Option is exercised in full) will be immediately freely tradable without restriction under the Securities Act except for any Securities purchased by an "affiliate" of the Company (as that term is defined under the rules and regulations of the Securities Act), which will be subject to the resale limitations of Rule 144 under the Securities Act. The remaining 1,650,000 shares of Common Stock and the NVC Warrants are "restricted" securities within the meaning of Rule 144 under the Securities Act and may be sold under the

conditions of such rule, including satisfaction of certain holding period requirements. The registration statement of which this Prospectus forms a part also includes a prospectus with respect to an offering of the NVC Warrants owned by NVC and 1,000,000 shares of Common Stock

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issuable upon exercise of the NVC Warrants and 500,000 shares of Common Stock owned by DAH, a wholly-owned subsidiary of NVC all of which may be sold in the open market, in privately negotiated transactions or otherwise, directly by any of NVC or DAH (the "Selling Securityholders"). The Selling Securityholders have executed lock-up agreements ("Lock-Up Agreements") pursuant to which they have agreed that an aggregate of 250,000 of such shares and 500,000 of such Warrants will not be sold or otherwise disposed of for a period of 12 months from the date of this Prospectus without the prior consent of the Underwriter, and that the remaining 250,000 shares and 500,000 Warrants will not be sold or otherwise disposed of for a period of 18 months from the date of this Prospectus without the prior consent of the Underwriter. The Company will not receive any proceeds from the sale of such securities. Expenses of the offering by the Selling Securityholders, other than fees and expenses of counsel to the Selling Securityholders, if any, and selling commissions, will be paid by the Company. The Selling Securityholders are affiliates of the Company. Sales of such securities by the Selling Securityholders or the potential of such sales may have a material adverse effect on the market price of the Securities offered hereby. See "Concurrent Offering" and "Shares Eligible for Future Sale."

Each of the Company's officers, directors and stockholders as of the date of this Prospectus, will execute a Lock-Up Agreement relating to securities beneficially owned as of such date pursuant to which they agree not to, directly or indirectly, issue, offer, agree to offer to sell, sell or grant an option for the purchase or sale of, transfer, pledge, assign, hypothecate, distribute or otherwise dispose of or encumber such securities or options, rights, warrants or other securities convertible into, exchangeable or exercisable for or evidencing any right to purchase or subscribe for shares of Common Stock (whether or not beneficially owned by such person) or any beneficial interest therein for a period of eighteen (18) months from the date of this Prospectus without the consent of the Underwriter. Accordingly, taking into consideration the restrictions of Rule 144 and the Lock-up Agreements, 250,000 restricted shares of Common Stock and 500,000 NVC Warrants will become eligible for sale beginning in 1998 and approximately 1,400,000 of the restricted shares of Common Stock will become eligible for sale beginning in 1999. See "Concurrent Offering" and "Shares Eligible For Future Sale."

**UNDERWRITER'S POTENTIAL INFLUENCE ON THE MARKET.** A significant number of the Securities offered hereby may be sold to customers of the Underwriter. Such customers may engage in transactions for the sale or purchase of such Securities through or with the Underwriter. Although it has no obligation to do so, the Underwriter intends to make a market in the Securities and may otherwise effect transactions in such securities. If it participates in such market, the Underwriter may influence the market, if one develops, for the Securities. Such market-making activity may be discontinued at any time. Moreover, if the Underwriter sells the Securities issuable upon exercise of the Underwriter's Option or acts as warrant solicitation agent for the Warrants, it may be required under the Exchange Act, to temporarily suspend its market-making activities. The prices and liquidity of the Securities may be significantly affected by the degree, if any, of the Underwriter's participation in such market.

**"PENNY STOCK" REGULATIONS MAY IMPOSE CERTAIN RESTRICTIONS ON MARKETABILITY OF SECURITIES.** The Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) of less than \$5.00 per share, subject to certain exceptions. In the event of authorization of the Shares offered hereby for quotation on the Nasdaq SmallCap Market, such securities will initially be exempt from the definition of "penny stock." If the Securities offered hereby are removed from listing on Nasdaq at any time following the date of this Prospectus, the Securities may become subject to rules that impose additional sales practice requirements on broker-dealers who sell such Securities to persons other than established customers and accredited investors (generally, those persons with assets in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of the Securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a "penny stock",

unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the Commission relating to

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the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the "penny stock" held in the account and information on the limited market in "penny stocks." Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell the Securities and may affect the ability of purchasers in the Offering to sell the Securities in the secondary market.

In the event that the Company were not able to qualify the Securities for listing on the Nasdaq SmallCap Market, the Company would attempt to have the Securities traded in the over-the-counter market via the Electronic Bulletin Board or the "pink sheets." In such event, holders of the Securities may encounter substantially greater difficulty in disposing of their securities and/or in obtaining accurate quotations as to the prices of the Securities.

**BENEFITS OF OFFERING TO UNDERWRITER.** The Underwriter will receive substantial benefits from the Company in connection with the Offering. These benefits include underwriting discounts/commissions, a non-accountable expense allowance and the Underwriter's Option to purchase 115,000 shares of the Company's Common Stock and/or 115,000 Warrants. The Underwriter has been granted certain rights under the Underwriter's Options, which rights include the ability to require the Company to include the securities underlying the Underwriter's Option in a registration statement under the Securities Act. The exercise of these rights will result in the Company incurring substantial expenses and may cause the Company to register an offering of its securities at a time which is detrimental to the Company's plans. Finally, the Company has entered into a two (2) year consulting agreement with the Underwriter pursuant to which the Underwriter will advise the Company with respect to mergers and acquisitions and general business matters. The Underwriter will receive \$100,000 for such services which amount is payable upon the consummation of the Offering. See "Underwriting."

**RISKS ASSOCIATED WITH FORWARD-LOOKING STATEMENTS INCLUDED IN THIS PROSPECTUS.** This Prospectus contains certain forward-looking statements regarding the plans and objectives of management for future operations. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. The Company's plans and objectives are based, in part, on assumptions involving the continued growth and expansion of the Internet, the Company's ability to market successfully the PC411 service and related services to the SOHO market and to private intranets as a more convenient and reliable alternative to current comparable and widely used services and that there will be no unanticipated material adverse change in the Company's business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that its assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Prospectus will prove to be accurate. **IN LIGHT OF THE SIGNIFICANT UNCERTAINTIES INHERENT IN THE FORWARD-LOOKING STATEMENTS INCLUDED HEREIN PARTICULARLY IN VIEW OF THE COMPANY'S EARLY STAGE OPERATIONS, THE INCLUSION OF SUCH INFORMATION SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE COMPANY OR ANY OTHER PERSON THAT THE OBJECTIVES AND PLANS OF THE COMPANY WILL BE ACHIEVED.**

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#### USE OF PROCEEDS

The net proceeds to the Company from the sale of the 1,150,000 Shares and 1,150,000 Warrants being offered hereby, after deduction of the estimated underwriting discounts and estimated offering expenses of \$1,285,000, are estimated to be approximately \$4,752,500 (\$5,540,500 if the Over-Allotment Option is exercised in full), assuming an initial public offering price of \$5.00 per Share and \$0.25 per Warrant. The Company intends to apply the net proceeds as follows:

<TABLE>  
<CAPTION>

	AMOUNT	PERCENTAGE
	-----	-----
<S>	<C>	<C>
Sales and marketing activities.....	\$ 1,500,000	31.6%
Research and development.....	1,000,000	21.0
Capital expenditures.....	300,000	6.3
Repayment of NVC Notes.....	500,000	10.5
Payment of cumulative dividends on Preferred Stock.....	170,000	3.6
Payment of consulting fee to Underwriter.....	100,000	2.1
Working capital and general corporate purposes.....	1,182,500	24.9
	-----	-----
	\$ 4,752,500	100.0%

</TABLE>

The uses of proceeds described above are estimates and approximations only and do not represent firm commitments by the Company. Of the net proceeds from the Offering, the Company intends to use approximately \$3,000,000 to expand its sales and marketing operations, fund greater levels of product development and purchase data processing and related hardware and software.

Approximately \$300,000 of the net proceeds of the Offering will be used to repay the outstanding principal balance and accrued interests on the Company's Senior Secured Demand Promissory Notes (the "NVC Notes") held by NVC. The aggregate outstanding principal balance of the NVC Notes as of September 30, 1996 was approximately \$320,000. It is anticipated that at the date of this Prospectus, the aggregate outstanding principal balance of the NVC Notes and accrued interest thereon will be \$550,000. The Company used such funds to meet its working capital requirements and the expenses incurred in connection with the Offering. The Company will issue the NVC Warrants to NVC in satisfaction of \$250,000 of indebtedness represented by the NVC Notes. The remaining principal balance of the NVC Notes and all accrued interest thereon will be repaid out of the net proceeds of the Offering.

Approximately \$170,000 of the net proceeds of the Offering will be used to pay the accumulated, undeclared dividends on the Preferred Stock which is held by DAH. Each share of Preferred Stock is entitled to receive an annual cash dividend of \$55 from the date of the purchase in May 1995.

The Company has agreed to pay the Underwriter out of the net proceeds of the Offering \$100,000 in consideration for advisory and consulting services to be provided by the Underwriter for a two-year period.

The remainder of the net proceeds of the Offering will be used for general corporate purposes, including working capital. Working capital includes funds to be used for general and administration expenses.

The Company believes that the estimated net proceeds to be received from the Offering, together with revenue from operations, will be sufficient to meet the Company's cash requirements for a period of at least 12 months following the date of this Prospectus, although there can be no assurance in this regard. Thereafter, if the Company has insufficient funds for its needs, it may need to seek additional funds from other sources. There can be no assurance that additional funds can be obtained on acceptable terms, if at all. If necessary funds are not available, the Company's business would be materially adversely affected.

The foregoing represents the Company's best estimate of its expected use of the net proceeds of the Offering. The amounts actually expended for certain purposes described above may vary significantly depending on numerous factors, including, but not limited to, the success of the Company's expansion

strategy. The Company's cash requirements may vary because of delays in the development of future releases of its services, less than anticipated market acceptance of its services, competitive and technological advances, regulatory changes, and increased competition. The Company reserves the right to reallocate the net proceeds among the foregoing uses.

Pending the use of any net proceeds, the Company intends to invest the net proceeds from the Offering in short-term, investment-grade, interest-bearing

securities.

Any net proceeds from the exercise of the Over-Allotment Option or the Warrants, will be added to working capital.

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CAPITALIZATION

The following table sets forth the capitalization of the Company at September 30, 1996 (i) on an actual basis, (ii) on a pro forma basis giving effect to the conversion of the outstanding shares of Preferred Stock into 8,626 shares of Common Stock, a stock split of 172.7336 for 1, followed by a contribution of 632,390 shares of Common Stock to the Company by certain stockholders and the issuance of an additional 60,000 shares of Common Stock, and (iii) pro forma as adjusted, giving effect to the sale of 1,150,000 Shares and 1,150,000 Warrants offered hereby at an assumed initial public offering price of \$5.00 per Share and \$0.25 per Warrant (after deduction of the estimated underwriting discount and estimated expenses of the offering) and the issuance of the NVC Warrants in satisfaction of \$250,000 of indebtedness. This table should be read in conjunction with the Company's financial statements and the notes thereto, included elsewhere in this Prospectus.

<TABLE>  
<CAPTION>

	SEPTEMBER 30, 1996		
	ACTUAL	PRO FORMA PRO FORMA(2)	AS ADJUSTED(3)
	<C>	<C>	<C>
Stockholders' equity (deficiency):			
Preferred stock, Series A \$.01 par value. Authorized 10,000 shares; issued and outstanding 1,820 shares, actual; authorized 5,000,000, none issued and outstanding, pro forma and pro forma, as adjusted.....	\$ 18	\$ --	\$ --
Common stock, \$.01 par value. Authorized 10,000 shares; issued and outstanding 4,240 shares, actual; authorized 25,000,000, 1,650,000 issued and outstanding, pro forma, 2,800,000 issued and outstanding, pro forma, as adjusted(1).....		42	16,500
Additional paid-in capital.....	1,406,427	1,389,987	6,381,487
Accumulated deficit during the development stage.....		(1,386,183)	(1,386,183)
		(1,386,183)	(1,556,183)
Net stockholders' equity (net capital deficiency).....		20,304	20,304
		20,304	4,853,304
Total capitalization.....	20,304	20,304	4,853,304

</TABLE>

- (1) Does not include shares of Common Stock issuable upon the exercise of (i) the Warrants offered hereby; (ii) the Over-Allotment Option; (iii) the Underwriter's Option; (iv) the Principal Stockholder's Options; (v) options to purchase 750,000 shares of Common Stock reserved for issuance under the Option Plan; or (vi) the NVC Warrants. See "Management", "Principal Stockholders", "Certain Transactions" and "Description of Securities."
- (2) Assumes 1,650,000 shares of Common Stock outstanding after giving effect to the conversion of the outstanding shares of Preferred Stock into 8,626 shares of Common Stock and the subsequent stock split of 172.1336 to 1, followed by a contribution of 632,390 shares of Common Stock to the Company by certain stockholders and the issuance of an additional 60,000 shares of Common Stock.
- (3) Reflects the sale of the Securities offered hereby, less offering expenses of approximately \$1,285,000, the issuance of the NVC Warrants in satisfaction of \$250,000 of short-term indebtedness and the payment of accrued dividends on the Preferred Stock out of the net proceeds of the Offering.

RECAPITALIZATION AND STOCK SPLIT



The 1,820 shares of Preferred Stock held by DAH will be converted into 8,626 shares of Common Stock. In addition, in January, 1997 the stockholders approved an amendment to the Company's Restated Certificate of Incorporation authorizing capital stock consisting of 25,000,000 shares of Common Stock

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and 5,000,000 shares of Preferred Stock, each class having a par value of \$0.01 per share, and to reclassify and change each previously outstanding share of Common Stock into 172.7336 shares of Common Stock. The Company's Restated Certificate of Incorporation, which reflects such authorized capital stock, was effective as of \_\_\_\_\_, 1997. In connection with such stock split, certain stockholders will immediately contribute an aggregate of 632,390 shares of Common Stock to the Company leaving them with an aggregate of 100,000 shares of Common Stock.

Unless otherwise indicated, all references to historical earnings per share, and number and class of shares outstanding, are as adjusted for the aforesaid recapitalization and stock split of the Company's capital stock.

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#### DILUTION

The pro forma net tangible book value of the Company as of September 30, 1996, was \$20,304 or \$.01 per share of Common Stock. Pro forma net tangible book value per share is equal to the Company's total tangible assets less total liabilities, divided by the total number of shares of Common Stock outstanding on a pro forma basis. After giving effect to the estimated net proceeds from the sale of the 1,150,000 Shares and 1,150,000 Warrants offered hereby at an assumed initial public offering price of \$5.00 per Share and \$0.25 per Warrant and the issuance of 1,000,000 Warrants in satisfaction of \$250,000 of indebtedness evidenced by the NVC Notes, the pro forma as adjusted net tangible book value of the Company as of September 30, 1996 would have been approximately \$4,853,304 or \$1.73 per share. This represents an immediate increase in pro forma as adjusted net tangible book value of \$1.72 per share to existing stockholders and an immediate dilution of \$3.27 per share to new investors. The following table illustrates the per Share dilution in pro forma, as adjusted net tangible book value per share to new investors.

<TABLE>

<S>	<C>	<C>	<C>
Assumed aggregate initial public offering price per Share.....		\$ 5.00	
Pro forma net tangible book value per share before the Offering.....	\$ 0.01		
Increase per share attributable to new investors....	\$ 1.72		
Pro forma net tangible book value per share after the Offering.....	\$ 1.73		
Dilution per share to new investors.....		\$ 3.27	

</TABLE>

If the Over-Allotment Option is exercised in full, the pro forma net tangible book value after the Offering would be \$5,641,198 and dilution per share to new investors would be \$3.10. The above table assumes no exercise of options or Warrants.

The following table summarizes the investments of all existing stockholders and new investors after giving effect to the sales of the Securities offered hereby assuming no exercise of the Over-Allotment Option:

<TABLE>

<CAPTION>

	SHARES PURCHASED	AGGREGATE PERCENTAGE OF TOTAL SHARES	CONSIDERATION PAID	TOTAL INVESTED	AVERAGE PRICE PER SHARE
<S>	<C>	<C>	<C>	<C>	<C>
Existing Stockholders.....	1,650,000	59%	\$ 1,245,547(1)	17%	\$ 0.75
New Investors.....	1,150,000	41%	\$ 6,037,500	83%	\$ 5.25(2)
Total.....	2,800,000	100%	\$ 7,283,047	100%	

</TABLE>

If the Over-Allotment Option is exercised in full, the new investors will have paid \$6,943,125 for the purchase of Shares and will hold 1,322,500 Shares, representing approximately 84.8 percent of the total consideration and approximately 44.5% of the total number of outstanding shares of Common Stock. See "Description of Securities" and "Underwriting."

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(1) Includes a capital contribution of \$92,045.

(2) Includes the price of a Warrant.

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DIVIDEND POLICY

The Company has not declared or paid any cash dividend on its Common Stock and does not anticipate paying any such dividends in the foreseeable future. The Company intends to retain future earnings, if any, to fund ongoing operations and future capital requirements of its business.

CONCURRENT OFFERING

The registration statement of which this Prospectus forms a part also includes a prospectus with respect to an offering of the NVC Warrants owned by NVC and 1,000,000 shares of Common Stock issuable upon exercise of the NVC Warrants and 500,000 shares of Common Stock owned by DAH, a wholly-owned subsidiary of NVC, all of which may be sold in the open market, in privately negotiated transactions or otherwise, directly by any of the Selling Securityholders. The Selling Securityholders have executed Lock-Up Agreements pursuant to which they have agreed that an aggregate of 250,000 of such shares and 500,000 of such Warrants will not be sold or otherwise disposed of for a period of 12 months from the date of this Prospectus without the prior consent of the Underwriter, and that the remaining 250,000 shares and 500,000 Warrants will not be sold or otherwise disposed of for a period of 18 months from the date of this Prospectus without the prior consent of the Underwriter. The Company will not receive any proceeds from the sale of such securities. Expenses of the offering by the Selling Securityholders, other than fees and expenses of counsel to the Selling Securityholders, if any, and selling commissions, will be paid by the Company. The Selling Securityholders are affiliates of the Company. See "Certain Transactions." Sales of such securities by the Selling Securityholders or the potential of such sales may have a material adverse effect on the market price of the Securities offered hereby. See "Risk Factors--Potential Adverse Impact on Market Price of Securities; Shares Eligible for Future Sale; Additional Registered Securities" and "Shares Eligible for Future Sale."

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SELECTED FINANCIAL DATA

The selected financial data of the Company presented below have been derived from the financial statements of the Company, which have been audited by KPMG Peat Marwick LLP, independent public accountants. The selected financial data of the Company as of September 30, 1996 and for the nine months ended September 30, 1995 and 1996, have been derived from financial statements which are unaudited, but in the opinion of management, such financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a full presentation of the financial position and results of operations as of such date and for such period. Results of operations for the nine months ended September 30, 1995 and September 30, 1996 are not necessarily indicative of results for the full year. The following selected financial information should be read in conjunction with the financial statements and the related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

SELECTED STATEMENTS OF OPERATIONS DATA:

<TABLE>  
<CAPTION>

NINE MONTHS ENDED  
SEPTEMBER 30,  
YEAR ENDED DECEMBER 31 (UNAUDITED)  
-----

	1994	1995	1995	1996
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$ 352	\$ 12,144	\$ 2,759	\$ 23,084
Costs and Expenses:				
Cost of revenues.....	10,073	92,694	51,251	56,673
Research and development.....	154,556	142,841	80,929	220,372
Sales and marketing.....	7,670	97,900	36,991	23,085
General and administrative.....	24,634	250,152	104,883	305,494
	196,933	583,587	274,054	605,624
Operating Loss.....	(196,581)	(571,443)	(271,295)	(582,540)
Other Income (expense):				
Interest income.....	1,037	22,505	15,862	4,233
Other income.....	22,862	--	--	--
Interest expense.....	--	--	--	(84,656)
	23,899	22,505	15,862	(80,423)
Loss before Taxes(1).....	(172,682)	(548,938)	(255,433)	(662,963)
Income Taxes(1).....	--	800	800	800
Net Loss.....	\$ (172,682)	\$ (549,738)	\$ (256,233)	\$ (663,763)
Net loss per share(2).....	\$ (36.68)	\$ (116.77)	\$ (54.43)	\$ (140.99)
Shares used in computing net loss per share(2).....		4,708	4,708	4,708
Pro Forma net loss per share (unaudited)(3).....	\$ (0.10)	\$ (0.32)	\$ (0.15)	\$ (0.38)
Shares used in computing pro forma net loss per share (unaudited)(3).....	1,730,800	1,730,800	1,730,800	1,730,800

</TABLE>

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SELECTED BALANCE SHEET DATA:

<TABLE>  
<CAPTION>

	SEPTEMBER 30, 1996 (UNAUDITED)				
	YEAR ENDED DECEMBER		PRO FORMA AS		
	1994	1995	ACTUAL	FORMA(3)	ADJUSTED(3)(4)
<S>	<C>	<C>	<C>	<C>	<C>
Cash and cash equivalents.....	\$ 25,248	\$ 370,827	\$ 101,367	\$ 101,367	\$ 4,559,182
Working capital.....	20,246	370,827	(122,153)	(122,153)	4,610,847
Total assets.....	76,867	523,127	297,928	297,928	5,006,964
Total stockholders' equity.....	71,865	523,127	20,304	20,304	4,853,304

</TABLE>

(1) From inception until May 12, 1995, the Company was an "S" corporation for federal income tax purposes and, accordingly, all items of income, gain, loss and credits of the Company were reported by its stockholders in proportion to their stock interest in the Company.

(2) Net loss per share data does not take into account conversion of outstanding shares of Preferred Stock into shares of Common Stock or the stock split and assumes an additional 468 shares of Common Stock equivalents as a result of options granted pursuant to the Option Plan to the Company's Chief Executive Officer and Chief Technology Officer. See note 2 of the notes of the Company's financial statements appearing elsewhere in this Prospectus.

(3) Pro forma and pro forma as adjusted data assumes 1,650,000 shares of Common

Stock outstanding after giving effect to (i) the conversion of all outstanding shares of Preferred Stock into 8,626 shares of Common Stock, (ii) the subsequent stock split of 172.7336 for 1 followed by a contribution of 632,390 shares of Common Stock to the Company by certain stockholders, and (iii) the issuance of additional 60,000 shares of Common Stock to the Company's counsel. In addition, pro forma net income (loss) per share data assumes an additional 80,800 shares of Common Stock equivalents as a result of options granted pursuant to the Option Plan to the Company's Chief Executive Officer and Chief Technology Officer to acquire 404,000 shares of Common Stock at an exercise price of \$4.00 per share. See note 2 of the notes to the Company's financial statement appearing elsewhere in this Prospectus.

- (4) Adjusted to reflect the sale of Securities offered hereby and the net proceeds therefrom (assuming an initial public offering price of \$5.00 per Share and \$0.25 per Warrant and after deducting the underwriting discounts and commissions and expenses of the Offering estimated at \$1,285,000), the issuance of the NVC Warrants in satisfaction of \$250,000 of short-term indebtedness, and the payment of accrued dividends on the Preferred Stock. Does not include the proceeds from the sale of shares of Common Stock pursuant to the exercise of any Warrants (including the NVC Warrants), the Underwriter's Option, the NVC Warrants, the Principal Stockholder's Options and any options granted pursuant to the Option Plan.

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MANAGEMENT'S DISCUSSION AND  
ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S FINANCIAL STATEMENTS AND NOTES THERETO APPEARING ELSEWHERE IN THIS PROSPECTUS. IN ADDITION TO THE HISTORICAL INFORMATION CONTAINED HEREIN, THE DISCUSSION IN THIS PROSPECTUS CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES, SUCH AS STATEMENTS OF THE COMPANY'S PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS. THE CAUTIONARY STATEMENTS MADE IN THIS PROSPECTUS SHOULD BE READ AS APPLICABLE TO ALL FORWARD-LOOKING STATEMENTS WHEREVER THEY APPEAR IN THIS PROSPECTUS. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE DISCUSSED HEREIN. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THIS SECTION AND IN "RISK FACTORS."

OVERVIEW

The Company currently provides an on-line electronic directory assistance service that gives its customers access to over 110 million U.S. and Canadian residence and business telephone numbers, addresses and ZIP codes. The PC411 service is available on a direct-dial basis with a personal computer, a modem, and either the Company's proprietary, copyrighted software program, PC411 FOR WINDOWS or an Internet browser, such as Netscape Navigator-Registered Trademark- or Microsoft Explorer-Registered Trademark-. The PC411 service is available over the Internet at the address [HTTP://WWW.PC411.COM](http://WWW.PC411.COM). The Company is a development stage enterprise. Since its inception in December 1993, the Company has devoted substantially all of its expenditures (approximately \$1.5 million through September 30, 1996) to the development of the PC411 service. The Company introduced the first version of the PC411 service in December 1994. The Company's expenditures for marketing PC411 have been insignificant and the Company has not yet developed any significant customer base or revenues.

Given its limited operating history, the Company and its prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the new and rapidly evolving markets for on-line and Internet services. To address these risks, the Company must, among other things, continue to respond to competitive developments, attract, retain and motivate qualified personnel, implement and successfully execute its sales and marketing strategy, create and distribute a version of PC411 FOR WINDOWS for other operating systems, develop relationships with third parties for purposes of general distribution and specific industry penetration, and upgrade its technologies and services. There can be no assurance that the Company will be successful in addressing such risks.

The extremely limited operating history of the Company makes the prediction of future results of operations difficult or impossible. The Company believes that period to period comparisons of its operating results are not meaningful

and the results for any period should not be relied upon as an indication of future performance. The Company currently expects to significantly increase its operating expenses as it builds its sales and marketing staff, increases product development spending, and invests in infrastructure. As a result, the Company expects to continue to incur significant losses on a quarterly and annual basis for the foreseeable future. As of September 30, 1996, the Company had an accumulated deficit of \$1,386,183. See "Risk Factors--Development Stage Company; Limited Operating History; Operating Losses and Accumulated Deficit; Dependence Upon Offering; Possible Need for Additional Financing."

As a result of the Company's limited operating history, the Company does not have historical financial data for any significant period of time on which to base planned operating expenses. The Company's expense levels are based in part on its expectations concerning future revenue and to a large extent are fixed. Quarterly revenues and operating results depend substantially upon signing up new customers, retaining such customers, and advertising revenues, if any, which are difficult to forecast accurately. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue

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shortfall, and any significant shortfall in revenue in relation to the Company's expectations would have an immediate adverse effect on the Company's business, results of operations and financial condition. In addition, the Company currently expects to increase significantly its operating expenses as it builds its sales and marketing staff, increases product development spending, and invests in infrastructure. To the extent that such expenses precede or are not subsequently followed by increased revenues, the Company's business, results of operations and financial condition will be materially and adversely affected.

The Company licenses its database from Pro CD. Furthermore, the Company pays Pro CD a percentage of revenues earned from the display of Pro CD's listing data, with minimum quarterly payments. The Company typically charges its customers a \$15.00 registration fee and then on a per use basis. The registration fee is applied to use of the service and is recognized as the customer uses the service. The Company also charges annual subscription fees in certain circumstances and these fees are recognized over a 12 month period. Recently, the Company has entered into distribution agreements with three computer equipment manufacturers and one modem manufacturer, pursuant to which PC411 FOR WINDOWS will be installed on a computer's hard drive or a copy of PC411 FOR WINDOWS will be included with the purchase of a modem. The Company pays or will pay a distribution fee to the three computer equipment manufacturers and one modem manufacturer for the distribution of PC411 FOR WINDOWS either based upon the number of new customers that sign up for the PC411 service or the revenues that such new customers generate. Although the Company has experienced slight revenue growth in recent months due to these bundling agreements, there can be no assurance that revenues of the Company will continue to increase, that revenues will continue at their current level, that the Company will be able to maintain these arrangements, or that the Company will enter into additional distribution arrangements with other third parties. In addition, the Company is offering the PC411 service over the Internet and is planning to sell advertising on its Web site. To date, the Company has not generated any advertising revenue and it is impossible to project when, if ever, such revenue will be generated.

The Company's operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside the Company's control. These factors include the level of usage of the Internet, demand for Internet advertising, the continued growth of private intranets, the amount and timing of capital expenditures and other costs relating to the expansion of the Company's operations, the introduction of new products or services by the Company or its competitors, pricing changes in the industry, technical difficulties with respect to the use of the PC411 service, general economic conditions and economic conditions specific to on-line services and the Internet. As a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing, service or marketing decisions that could have a material adverse effect on the Company's business, results of operations and financial condition. Due to all of the foregoing factors, the trading price of the Company's Common Stock would likely be materially and adversely affected.

## RESULTS OF OPERATIONS

REVENUES. The Company's revenues have been derived from registration fees

and usage charges for the modem dial-up PC411 service. Beginning with the 1996 fiscal year, revenues will be recognized over the period in which the related services are to be provided. Deferred revenue consists of non-refundable registration fees and annual subscription fees billed in advance. Had such policy been in effect prior to fiscal year 1996, the effect on the Company's financial statements would have been immaterial.

Revenues for the nine months ended September 30, 1996 were \$23,084 compared to \$2,759 for the nine months ended September 30, 1995. The Company recorded deferred revenue of \$19,602 for the nine months ended September 30, 1996. The increase in revenues for the nine months ended September 30, 1996 was due primarily to the bundling arrangements with IBM and U.S. Robotics. For the year ended December 31, 1995, the Company recorded revenues of \$12,144 compared to \$352 for the year ended December 31, 1994. The revenues for the year ended December 31, 1995 occurred primarily in the fourth quarter and were due primarily to increases in advertising and public relations spending.

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**COST OF REVENUES.** Cost of revenues consists primarily of the cost of data. The Company's contract with Pro CD for the listing data provides for payments to Pro CD equal to a specified percentage of revenues that the Company generates from distributing the data, with minimum quarterly payments. The Company's revenues to date are not greater than the minimum quarterly payments and, as such, the cost of revenues exceeds revenues. Cost of revenues also includes materials costs and distribution fees paid to IBM and U.S. Robotics. Cost of revenues for the nine months ended September 30, 1996 were \$56,673 compared to \$51,251 for the nine months ended September 30, 1995. This increase was due primarily to the bundling arrangements with IBM and U.S. Robotics. For the year ended December 31, 1995, cost of revenues were \$92,694 compared to \$10,073 for the year ended December 31, 1994. This increase was due primarily to the cost of data.

**RESEARCH AND DEVELOPMENT.** Research and development expenses consist primarily of employee compensation associated with the design, programming, and testing of the PC411 service. Research and development expenses for the nine months ended September 30, 1996 were \$220,372 compared to \$80,929 for the nine months ended September 30, 1995. This increase was due primarily to the increase in the number of programmer hours. For the year ended December 31, 1995, research and development expenses were \$142,841 compared to \$154,556 for the year ended December 31, 1994. This decrease was due primarily to a decrease in the number of programmer hours. To date, all research and development costs have been expensed as incurred. The Company anticipates continuing to make significant expenditures to develop new and enhanced services.

**SALES AND MARKETING EXPENSES.** Sales and marketing expenses consist primarily of public relations, print advertising, and trade shows. Sales and marketing expenses for the nine months ended September 30, 1996 were \$23,085 compared to \$36,991 for the nine months ended September 30, 1995. This decrease was primarily attributable to a decrease in print advertising. For the year ended December 31, 1995, sales and marketing expenses were \$97,900 compared to \$7,670 for the year ended December 31, 1994. This increase in sales and marketing expenses was primarily attributable to the expenses incurred to introduce PC411 at a trade show in the fourth quarter of 1995, public relations, and print advertising expenses. The Company intends to pursue an aggressive branding strategy and as a result expects an increase in the absolute dollar level of sales and marketing expenses in future periods.

**GENERAL AND ADMINISTRATIVE EXPENSES.** General and administrative expenses consist primarily of expenses for administration, office operations, and general management activities, including legal, accounting, and other professional fees. General and administrative expenses have increased significantly since the Company's inception. This trend reflects the costs associated with the formation of the Company, and increased efforts to commercialize the Company's products and services. General and administrative expenses for the nine months ended September 30, 1996 were \$305,494 compared to \$104,883 for the nine months ended September 30, 1995. For the years ended December 31, 1995 and 1994, operating expenses were \$250,152 and \$24,634, respectively. These increases were due primarily to additional payroll costs relating to management personnel, consulting fees, professional fees, rent expense and insurance costs. The Company anticipates that general and administrative expenses will continue to increase as the Company hires additional personnel following the Offering, as well as expenses associated with being a public company.

OTHER INCOME (EXPENSE). Net interest expense for the period ended September 30, 1996, was \$80,423, consisting of interest expense of \$84,656 and interest income of \$4,233. The interest expense is attributable entirely to the NVC Notes. Of this amount, \$80,470 represents the imputed discount on the NVC Notes as a result of the change in the conversion ratio with respect to the Preferred Stock. The Company had net interest income for the period ended September 30, 1995 of \$15,862 and for the years ended December 31, 1995 and 1994 of \$22,505 and \$1,037, respectively. The Company also recorded \$22,862 of non-recurring consulting revenue for the year ended December 31, 1994 which was not related to the PC411 service.

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INCOME TAXES; NET OPERATING LOSS. Through May 12, 1995, the Company was a subchapter "S" corporation, and as such, incurred no federal corporate income taxes and losses incurred through that date were reported by individual stockholders on their personal tax returns. From May 13, 1995 through December 31, 1995, the Company had no income and therefore made no provision for federal and state income taxes. At December 31, 1995, the Company had approximately \$530,000 of federal net operating loss carryforwards for tax reporting purposes available to offset future taxable income, if any. Such carryforwards expire in 2010. The tax effect of the net operating loss available to offset future taxable income results in a gross deferred tax asset of approximately \$230,000, which has been fully reserved due to uncertainties regarding the realizability thereof.

Under the Tax Reform Act of 1986, the amounts of and the benefits from net operating loss carryforwards are subject to certain limitations. Events which may cause such limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three year period. The Company anticipates that a 50% change in ownership will have occurred as a result of the conversion of the Preferred Stock, the stock split and the consummation of the Offering. See "Capitalization-Reorganization and Stock Split."

#### LIQUIDITY AND CAPITAL RESOURCES

Since its inception the Company has financed its operations through the private placement of Preferred Stock and secured short term borrowings from NVC. The Company has not been able to generate sufficient cash from operations and, as a consequence, additional financing has been required to fund ongoing operations. Cash used in operations for the nine months ended September 30, 1996 was \$571,289 as compared to cash used in operations of \$252,587 for the nine months ended September 30, 1995. The primary reason for the increase in the negative cash flow is the increase in development and operating expenses during the period. For the year ended December 31, 1995, cash used in operations was \$531,701 compared to \$161,980 for the year ended December 31, 1994. The negative operating cash flow in fiscal years 1994 and 1995 was due primarily to product development and operating expenses associated with developing the PC411 service.

Capital expenditures for the nine months ended September 30, 1996 were \$17,950 compared to \$107,037 for the prior comparable period. Capital expenditures for the years ended December 31, 1995 and 1994 were \$123,720 and \$57,319, respectively. These expenditures were primarily for computer equipment for the Company's data center and leasehold improvements.

Cash provided by financing activities for the nine months ended September 30, 1996 was \$319,779, all of which was advanced by NVC and which is evidenced by the NVC Notes. The NVC Notes are secured by all of the assets of the Company, bear interest at 12% per year, and are due upon demand. Cash provided by financing activities for the year ended December 31, 1995 was \$1,001,000, and was derived from the sale of 1,820 shares of Preferred Stock to DAH, a wholly owned subsidiary of NVC. In December 1996, NVC made a demand for payment of the NVC Notes. The Company failed to pay the amount due. In January 1997, the Company, certain stockholders of the Company and NVC entered into an agreement pursuant to which, among other things, NVC agreed to restructure the NVC Notes so that they are no longer due and payable. See "Certain Transactions."

The Company currently anticipates that the gross proceeds from the sale of the Shares and Warrants will generate \$6,037,500 (or \$6,943,125 if the Over-Allotment Option is exercised in full) before commissions and offering expenses of approximately \$1,285,000 (approximately \$1,400,000 if the Over-Allotment Option is exercised in full.) The Company expects to use a

portion of the net proceeds to repay the principal balance and accrued interest due on the NVC Notes, accumulated dividends on the Preferred Stock and a fee to the Underwriter for consulting services. The balance of the net proceeds will be used to complete the introduction of the PC411 service over the Internet, marketing, sales and advertising, development of new services, and for general corporate purposes and working capital purposes.

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The Company expects that its cash used in operating activities will increase in the future. The timing of the Company's future capital requirements, however, cannot be accurately predicted. The Company's capital requirements depend upon numerous factors, principally the acceptance and use of the PC411 services and the Company's ability to generate advertising revenue. If capital requirements vary materially from those currently planned, the Company may require additional financing, including, but not limited to, the sale of equity or debt securities. The Company has no commitments for any additional financing, and there can be no assurance that any such commitments can be obtained. Any additional equity financing may be dilutive to the Company's existing stockholders, and debt financing, if available, may involve pledging some or all of the Company's assets and may contain restrictive covenants with respect to raising future capital and other financial and operational matters. If the Company is unable to obtain additional financing as needed, the Company may be required to reduce the scope of its operations, which would have a material adverse effect on the Company's business, financial condition, and results of operations. The Company believes that the net proceeds from the Offering will be sufficient to meet the Company's operations and capital requirements for the next 12 months, although there can be no assurance in this regard. Although there can be no assurance, management believes that upon completion of the Offering, the Company will be able to continue as a going concern for the next 12 months.

## FINANCIAL REPORTING

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to Be Disposed of" ("SFAS 121"). This statement establishes financial accounting and reporting standards for the impairment of long lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long lived asset and certain identifiable intangibles to be disposed of. This statement is effective for financial statements for fiscal years beginning after December 15, 1995, although earlier application is encouraged. The Company does not expect that the adoption of SFAS 121 will have a material effect on its consolidated financial statements.

The FASB issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"), which will require companies either to reflect in their financial statements or reflect as supplemental disclosure the impact on earnings and earnings per share of the fair value of stock based compensation using certain pricing models for the option component of stock option plans. It is the Company's intention to continue to account in its basic financial statements under the general philosophy of Accounting Principals Board Opinion No. 25, as allowed under the new standard, which measures only the intrinsic option value as compensation. Disclosure, as required by SFAS 123, will be made commencing with the Company's financial statements for the year ending December 31, 1996 and will reflect the impact of the compensation for options issued in 1996 in the Notes to the financial statements. Accordingly, SFAS 123 has no impact on the financial position and results of operations for any period described herein, and will have no impact on future results of operations.

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## BUSINESS

THE FOLLOWING DISCUSSION CONTAINS FORWARD-LOOKING INFORMATION WHICH INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED BY SUCH FORWARD-LOOKING INFORMATION AS A RESULT OF VARIOUS FACTORS, INCLUDING THOSE SET FORTH UNDER "RISK FACTORS" AND ELSEWHERE IN THIS PROSPECTUS.

## OVERVIEW

The Company is a development stage enterprise which currently offers an on-line directory assistance service. The Company's database includes over 110



million names, telephone numbers, addresses and ZIP codes in the United States and Canada. The Company's goal is to establish PC411 as a brand name for on-line directory assistance by designing, developing, and providing comprehensive, efficient, and easy-to-use directories that facilitate communication among businesses and individuals in the United States and Canada and are accessible either through a direct modem dial-up connection, from a Web page on the Internet, via private intranets, or through other on-line communications media that may develop in the future.

Currently, a customer can access the PC411 service by two methods, both of which require a personal computer and modem. The direct dial-up service requires the use of the Company's copyrighted Windows-based software program, PC411 FOR WINDOWS. The PC411 service is also available on the Internet at HTTP://WWW.PC411.COM. Internet access requires the use of a Web browser such as Netscape Navigator-Registered Trademark- or Microsoft Explorer-Registered Trademark-. Currently, users of the PC411 service on a dial-up basis generally pay for the use of the service while use over the Internet is free of charge.

The Company believes that the growth of the Internet and private intranets will provide the Company with a larger market and new opportunities to generate revenue. The Internet gives the Company access to a growing, worldwide base of potential users. Internet access is available through a number of existing and planned devices and methods. Current access methods for individuals include using personal computers and standard telephone or ISDN lines. Businesses, universities, government offices and other organizations can connect to the Internet using personal computers, midrange computers or mainframes with high bandwidth telephone lines capable of carrying large amounts of information at high speeds, such as ISDN, T-1 or T-3 lines. Potential future high bandwidth access methods include coaxial cable, high-speed, digital ADSL telephone lines, and wireless connections. While the devices used to connect to the Internet today are limited to personal, midrange, or mainframe computers, potential future devices include televisions, Internet enabled telephones with screens for homes and offices, inexpensive computer terminals often referred to as network computers, personal digital assistants (often referred to as palmtop computers), pagers, cellular telephones, or any other communication enabled electronic device. In addition, large organizations continue to invest and develop their private intranets. The Company believes that it can provide on-line directory services and tools to such organizations to populate their networks with both industry specific as well as general market directory information on-line. This would allow for greater flexibility in the custom presentation of internal and external data, while still allowing for dial-out to the PC411 data center for searches that cannot be fulfilled locally.

To date, substantially all of the Company's capital has been invested in software and systems development to provide the PC411 service on a commercial basis. The Company's expenditures for marketing PC411 to date have been insignificant and the Company has not developed any significant customer base or revenues. A substantial part of the net proceeds of the Offering will be used to increase the Company's sales capability and for marketing and advertising.

## INDUSTRY BACKGROUND

The Company believes that the traditional methods used to access names, addresses, ZIP codes and telephone numbers for directory assistance or marketing purposes are inefficient, antiquated, and expensive. Individuals and businesses spend a great deal of time and money researching such information, often

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making multiple telephone calls or consulting multiple directories. Furthermore, traditional directories do not provide this information in a digital format, requiring additional effort by the user to type the information into a computer if the user wants to use the information in other applications. Organizations that want to market directly to a group of people or businesses spend a substantial amount of time and effort compiling lists of names and locating addresses and telephone numbers for those names.

**DIRECTORY ASSISTANCE.** Operator directory assistance or telephone books can only be used to look up a small number of names at a time and are only effective if one knows the location for the individual or business. Transferring information obtained from operator directory assistance or the telephone books to a computer requires additional effort.

YELLOW PAGE DIRECTORIES. Printed "yellow page" telephone books provide a list of companies in a geographic area ordered by the types of products or services those companies sell. The yellow pages provide a way for the listed companies to advertise their services to a local audience.

ON-LINE SERVICES, THE INTERNET AND INTRANETS. The growth of communication enabled personal computers and the publication of on-line databases has resulted in a rapid increase in the number of businesses and individuals that use computers to access information on-line. Historically, access to information was slow, expensive, and required extensive training, but in the 1980s the major consumer on-line services began to attract substantial numbers of customers by offering entertainment, communications, and access to general interest content with relatively easy-to-use interfaces and simple pricing plans.

The Internet is a network linking public and private computers around the world. Initially, the Internet was used almost exclusively by academic institutions and government agencies to exchange information. The proliferation of communication enabled personal computers, computer databases that present information in a multi-media format, the development of intuitive, simple to use graphical software programs known as Web browsers and widely available, low-cost Internet access has made the Internet accessible to non-technical users.

Organizations are starting to publish and share internal information on their private networks using Web servers. Such internal networks using Internet protocols are referred to as "intranets". Web browsers can be run on most of the popular computer operating systems, such as Windows 3.1, Windows 95, Windows NT, Apple Macintosh, IBM OS/2, and Unix and therefore people in all departments can view, publish, and share information across different hardware and operating system platforms. The use of the Internet and Internet protocols allows an organization to extend its internal information systems and enterprise applications to geographically dispersed facilities, remote offices, and mobile employees, whether they are on different floors, across the street, or across the globe. Since users within the organization only have to learn how to use the Web browser to access a wide variety of information, training costs are reduced. Intranets also allow users to easily access data outside of their organization that is published on the Internet by third party information providers such as the Company.

E-MAIL COMMUNICATION. The rapid growth of the Internet has resulted in increased E-mail communications and the development of the Internet as a new mass communications medium. The Company believes that the use of E-mail will continue to grow and will evolve from simple text based messages into a communication medium incorporating text, sound, voice, graphics, and video. E-mail provides practically instant delivery of text, sound, images and computer files, and can be sent to a large number of recipients at any costs which are generally less than mail, telephone or other forms of communication.

#### CURRENT PRODUCTS AND SERVICES

In its current form, the PC411 service provides functions not possible or practicable with conventional operator directory assistance services including (a) searching for a listing in every phone book in the United States or Canada without having to know the area code or city, (b) searching for an individual with just a last name, (c) searching by telephone number to provide the associated name and address, (d) batch

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processing hundreds of names, (e) automatically searching the areas surrounding a city for a listing, (f) providing addresses and ZIP codes in addition to telephone numbers, (g) providing nationwide AT&T 800 numbers, (h) appending telephone numbers to a list of names and addresses and (i) supplementing a list of telephone numbers with names and addresses. The Company's search engine will, among other things, automatically search up to an entire state if there is no listing in a city, find alternate spellings of a first name, return names listed with just an initial, and search AT&T's national 800 directory as part of every business search. PC411 FOR WINDOWS enables users to search for listings one at a time or to batch process hundreds of listings and allows users to edit, print, sort and save the information, dial the telephone number found, and transfer the information to other applications such as word processors and databases. PC411 FOR WINDOWS does not require a commercial on-line account or a connection to the Internet.

RESIDENCE SEARCHES. PC411 allows a user to search more than 93 million

published residential telephone numbers and addresses in any city in the United States or Canada by typing in the person's name. The Company's search engine is designed specifically to search for name and address information. PC411 can search by just the last name, will search for alternate spellings of the first name, will bring back listings that have only an initial, and will expand and search surrounding metropolitan areas up to an entire state if there is no listing in the specified city. A user can also search a state, a group of states such as the Southeast, or even the entire United States or Canada for a listing.

**BUSINESS SEARCHES.** PC411 allows a user to search more than 17 million published business telephone numbers and addresses in any city in the United States or Canada by typing in the business name. The Company's business search engine will search for alternate business listings and will expand and search surrounding metropolitan areas up to an entire state if there is no listing in the specified city. PC411 also returns a description of the target industry in most cases. A user can also search a state, a group of states such as the Northeast, or even the entire United States or Canada for a listing. Each time a user conducts a business search, PC411 will automatically search the AT&T nationwide directory and provide the published nationwide AT&T 800 numbers, if any.

**800 SEARCHES.** The PC411 service allows a user to search a database of AT&T 800 listings for businesses that have nationwide 800 numbers. PC411 also searches this database automatically each time a user looks up a business listing. For all matching listings, the PC411 800 search provides the company name, the 800 number, the address, the ZIP code, and a standard business description.

**REVERSE NUMBER SEARCHES.** The PC411 service allows a user to type in a seven digit telephone number and search a particular area code, state, region, or even the entire country for all of the residence or business listings with that number. In the event PC411 cannot locate the telephone number in a specified area code, it will automatically search all other area codes in that state for the telephone number.

**MULTIPLE SEARCHES.** The PC411 service allows a user to type in or import from another database a list of hundreds of residential names, business names and/or telephone numbers and then search all of them with just one connection. This feature allows a user to update a customer list, append telephone numbers to a list of names and addresses and supplement a list of telephone numbers with a names and addresses. The results of the searches can be sorted, edited, saved, printed, transferred to a word processing program, or used in other database applications.

## EXPANSION OPPORTUNITIES

**NEW MARKETS.** At present, almost all users of the Company's services appear to be individual consumers, as opposed to businesses. Such users are, generally, accessing PC411 via direct dial up from windows based computers running PC411 FOR WINDOWS. All current subscribers to the PC411 service have acquired this software either by purchasing products manufactured by bundle partners or having

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downloaded the software from the PC411 Website. At present, the PC411 service delivered by the Website is limited in scope and is currently not generating revenues.

The Company believes that its future growth lies not in the general consumer market but in the business to business market. Accordingly, the Company will target the SOHO market and organizations with private intranets. SOHO users, generally, are persons who do not work in the traditional corporate office environment. This segment is made up of firms that employ a limited number of people, sole proprietors and sole practitioners, corporate employees that work either full-time or part-time from their home or a satellite office, and persons whose job requires a substantial amount of travel. Such persons still require resources for support services and data from their remote locations that were taken for granted in the centralized corporate office structure. With the development and accessibility of the Web, services, such as digital data searches, are now available to such persons.

Private intranets are, generally, large scale computer operations that support an extended number of employees. A private intranet can take many forms. The most common forms today are Local Area Networks, Wide Area Networks (WANs),

Enterprise Networks, Metropolitan Networks and Multinational Networks. Each form is built around a server technology which interconnects people in real time via computers, terminals, printers, modems and telephones. Because large inter-networking operations (connections between networks) extend multiple sites, it has become a common practice to use digital telephone technology to connect the different parts of a private intranet. Due to the sensitivity and the proprietary nature of data being shared across such a network, network security and integrity have become major issues. Most operators of such networks today need to establish extensive firewall and encryption technologies to protect the value of the data being shared. Accordingly, many such organizations are creating procedures restricting outbound connectivity between their private intranet and the public Internet. Almost all restrict public Internet users direct access to their private intranet.

In a private intranet, a single organization or group of organizations is exchanging information using servers, computers, modems, phone lines, and telephony systems in some defined combination. Within these organizations or groups of organizations, directory data is presently being distributed. Most likely the distribution is in the form of hard copy data. This directory data is more often than not, expensive to maintain, produce and update. In very large organizations, it is out-of-date at the immediate point of final distribution. Additionally, these organizations have a high level of operator assisted information services. By combining the presentation of the Company's data listing in a form tailored to the organization's accepted guidelines, populating it with the human resource listings for the organization and adding routing controls to the telephone system, the organization can realize an immediate reduction in bottom line operating costs. Given its experience with on-line directory services, the Company believes it can create digital directory databases for these entities either entirely populated on the organization's private intranet, externally at the Company's data center or a combination of the two. If the directory is wholly or partially maintained externally, it can be accessed through a direct dial up connection, by a direct connection to the Company's Web server or through the Internet.

**SEARCHING CAPABILITIES.** The Company intends to increase its searching capabilities by allowing the customer to search for addresses using the criteria listed below. Providing these searches may create opportunities to sell targeted advertising. Searches by business headings may provide the Company with the opportunity to sell product specific advertising, while searches by addresses may provide the Company with the opportunity to sell geographically targeted advertising.

**BUSINESS HEADING SEARCHES.** The majority of the Company's business listings contain Standard Industrial Classification codes that can be used to provide an "electronic yellow pages" service or generate mailing lists for the Company's customers. By providing business heading searches, a business customer could use the PC411 service to look for all "machine shops" in a state or an individual could look for all "florists" within a city.

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**REVERSE ADDRESS SEARCHES.** By indexing the listings by address and designing search techniques tailored to address and geographic information, the Company will be able to offer services such as creating targeted geographic mailing lists for areas as small as a single street or building or searching for a business type such as "dry cleaners" in a certain radius.

**ADDITIONAL DIRECTORIES OF ADDRESS INFORMATION.** Currently, the Company provides name, telephone number, address, and ZIP code information for United States and Canadian listings in a manner that is designed to be easier, faster, and more productive than using directory assistance or the telephone book. The Company expects to enhance its PC411 service by adding new address information if such information is available to the Company on favorable economic terms. For example, the Company recently added AT&T's nationwide 800 directory in March 1996 so that PC411 automatically searches the AT&T 800 directory and returns any matching 800 listings whenever a user looks up a business. The Company may add census and other demographic information and targeted mailing lists to its service either independently or by licensing data from other third party vendors.

The Company may attempt to create additional databases through a number of means including: licensing data from third parties, collecting addresses from voluntary registrations at the Company's Web site, using automated Web

traversing programs (often referred to as "spiders"), and from other promotions and services that encourage users to supply their data. There can be no assurance that the Company will be able to amass directories of additional data, maintain the accuracy of such addresses, associate the addresses with the listings from other sources, add other demographic information or that a market will develop for any such database.

**PROVIDING SERVICES TO OTHER WEB SITES.** The Company may enter into formal and informal arrangements that would allow Internet users to access the PC411 service through other Web sites. These arrangements may allow the Company to offer a branded service, co-brand its service with other services or simply provide the data without reference to PC411. Informal arrangements may allow Web sites, unknown to the Company, to display the PC411 logo and initiate searches that would bring users to the PC411 Web site.

## MARKETING AND DISTRIBUTION STRATEGY

The Company's primary marketing objective is to establish itself as an Internet/intranet information publishing and distribution company. All marketing efforts will associate the registered "PC411" service mark with easy, quick, accurate, and comprehensive directory assistance. The Company plans to focus its marketing activity on the SOHO market and on organizations which maintain private intranets. The Company will attempt to extend the PC411 brand name and identity with computer and computer peripheral manufacturers, software developers, cable/modem manufacturers, and telephony systems manufactures. The Company intends to update and extend its user base with a PC411 newsletter, qualifying its users and obtaining information about their buying habits and equipment use. All marketing plans will be supported by a full public relations roll out as well as targeted trade shows, advertising and creative efforts to build the PC411 brand name as an information publisher and distributor.

The Company currently provides PC411 FOR WINDOWS for free. Use of the PC411 service with this software requires direct dial to the Company's data center. Users of the PC411 service on a direct dial up basis are generally charged a \$15.00 registration fee and \$0.50 per search. The Company has implemented a plan whereby users can choose to pay a \$29.95 annual subscription fee and would be entitled to unlimited searches. Such plan will be available on PC411 FOR WINDOWS bundled with IBM, U.S. Robotics, Sony, and Hewlett-Packard products. For the SOHO market, the Company will offer a monthly subscription rate for a fixed number of users and unlimited searches. The actual subscription rate would depend on the actual number of users. The Company believes that such a pricing plan will make the PC411 service highly competitive with current directory assistance sources for businesses of all sizes.

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Currently, searches conducted at the Company's Web site are free of charge. The Company intends to continue this policy with respect to base level (I.E., single criteria) searches. However, as the PC411 service available over the Internet is enhanced and upgraded, fees will be charged for more complex searches. Such services may be sold on a per transaction basis or on a monthly or annual subscription basis. The Company also intends to attempt to sell advertising on its Web site to generate revenues. Advertising may in the future be targeted and delivered based upon the type of searches a customer performs.

**PURSUE BUNDLING AND OEM ARRANGEMENTS.** The Company intends to distribute PC411 FOR WINDOWS through "bundling" arrangements with computer equipment manufacturers similar to its existing bundling agreements with Hewlett Packard, IBM, Sony and U.S. Robotics. Currently, the Company has bundling agreements with IBM to distribute PC411 FOR WINDOWS with its Aptiva brand of consumer personal computers, with Sony on its VAIO line of consumer personal computers, with certain lines of Hewlett-Packard's VECTRA personal computers that are targeted towards small businesses, and with U.S. Robotics' SPORTSTER brand of modems. The manufacturers are responsible for all costs associated with the duplication and distribution of the software. The Company in turn pays the manufacturers a commission for each new customer they deliver. The Company intends to pursue these arrangements with additional personal computer manufacturers, modem manufacturers, and software developers. There can be no assurance the any such additional bundling arrangements will be consummated by the Company or that existing bundling arrangements will be profitable. The Company will also attempt to extend the bundling program to Original Equipment Manufacturers (OEMs). These are targeted partners that have highly technical products within which the PC411 software can reside as a "native" component. When the partner sells a system that uses the PC411 components, the company shares in the revenues from that

sale. In addition, the OEM partner will sell PC411 service support for which the Company will be compensated.

**ACCESS VIA THE INTERNET.** In addition to the Company's existing on-line service, the Company intends to enhance the PC411 service currently available on the Internet. The graphical, multi-media nature of the Web also enables the Company to offer new services to a large number of potential customers. The presentation and access to data will be changed. Present base level searching (single criteria) will continue to be executed with commonly used Web browsers such as Netscape Navigator-Registered Trademark- and Microsoft Explorer-Registered Trademark-. Enhanced searching capabilities will require the use of applets which the Company will develop in Java and ActiveX (Java and ActiveX are specialized programming languages for the Web that allow for the creation of small programs or "applets") which are to be used in conjunction with Web browsers. The applet software for the Internet will have enhanced search capabilities not currently available. These applets will mimic in many ways the search capabilities that can be executed only with PC411 FOR WINDOWS. The applet software will be set up as a limited use evaluation product. The product will require registration for evaluation with a credit card. The evaluation period will give full access to all features of the site for a limited time. At the end of the evaluation period, the user will be billed for the first year subscription and each subsequent anniversary subscription.

**DEVELOP INTRANET SERVICES.** The Company intends to adapt its services to the evolving Internet standards for directory structures and address information formats. Adopting these structures and formats and distributing the information over the Internet may allow the Company to provide the data to organizations that have private intranets. Such information distributed through the Internet can be integrated into third party applications such as phone systems, internal company directories and other information systems. The Company will offer its technology and capabilities to other organizations to help such entities minimize their directory assistance expenses as well as serving their on-line needs for internal and external communications. In addition, PC411 will provide selected Standard Industrial Code business listings customized for the company's business needs as a part of extending the branding of the PC411 service. By developing Internet and intranet solutions which provide a standard platform for data interchange, the Company can deliver its services to a diverse group of customers. In targeting specific industries, the Company will prefer to engage senior level Sales Executives who are familiar with the targeted industries. Fees would be generated for customization of the data, maintenance and service and frequency and number of users.

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**PUBLISHING PARTNERS.** The Company will also explore relationships with other companies that publish data to specific industry segments. The intent is to develop alternative revenue streams by enabling the publishers to deliver the data that they presently distribute to a specific market with the PC411 search technology. Thus, the Company will penetrate new market segments with a minimum investment in sales representation.

## TECHNOLOGY AND PRODUCT DEVELOPMENT

A key part of the Company's ability to generate revenues depends on its ability to define, sort and deliver data (listing information) in a timely, secure and dependable time frame. The Company's data center allows the Company to operate in just such a manner. The design allows for scalability, duplication, security, accuracy and dependability in executing user demands. As users require alternate configurations to address their individual intranet or SOHO needs, the system can be easily reconfigured.

The Company's server technology encompasses search techniques specifically designed for names, businesses, telephone numbers and addresses, and licensed database and other software from third parties. The Company's data center is accessible 24 hours a day, 7 days a week and is housed in a secure, temperature controlled computer room with an emergency power supply. The core design of the Company's data center is a scaleable, object oriented, distributed, information search and retrieval system. The Company's graphical user interface enables users to access and search the database of telephone book listings and receive rapid responses to their queries. The Company's core technology is characterized by the following important features:

**SEARCH ACCURACY.** The Company's search techniques are designed to mimic the thought process of a very experienced and fast directory assistance operator.

The Company's core technology is designed to find a listing for a user taking into account that (a) the user most likely does not know exactly how the business or residence is listed, (b) the myriad of ways people and businesses choose to be listed in telephone books and (c) the inconsistent formats used in different telephone books.

**FLEXIBLE AND SCALEABLE ARCHITECTURE.** The distributed server architecture consists of independent servers that handle modem communications, Internet communications, customer usage tracking and management, customer billing, and the storage and retrieval of over 110 million listings. Multiple instances of each server software can co-exist and share work loads while system monitoring software can re-establish connections between different server programs if necessary. This structure provides for fast access, shared processing, fault tolerance, and rapid scalability. The servers are housed in a secure, temperature controlled computer room with an uninterruptable power supply. The modem communication server can handle multiple modem connections simultaneously. The Internet communications server connects the PC411 service to the Internet through a partial T-1 line. The customer database establishes, maintains, and processes accounts for the Company's customers and permits and tracks usage of the PC411 service. The billing functions provide real time credit card verification and electronic, batch credit card processing. The listings database server provides access to a database of more than 110 million records using the Company's search techniques. Data is maintained and stored on fault tolerant hard disk drives.

**BUSINESS MANAGEMENT FUNCTIONS.** The Company's core technology includes features for essential business management functions related to the Company's on-line service. These functions include listing management, subscriber management and billing, and commission tracking. For example, the listing management function permits the Company to charge users by the listing or by the search and lets the Company provide and track trial usage by either a dollar limit, a connections limit or a days limit. The Company believes these functions provide a sophisticated and valuable foundation for managing relationships with subscribers, data providers and marketing partners.

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**DATA DIVERSITY.** The Company licenses its data from Pro CD and currently stores over 110 million telephone book listings from the United States and Canada. The Company's systems allow for the integration and delivery of multiple sources of data. This capability includes software filters that transform third party data suppliers content into standard formats for loading into the database. As a result, the Company, if required, can accept multiple data sources.

**INTEGRATION.** It is the Company's strategy to re-design PC411 FOR WINDOWS to link directly into third party software packages (I.E., personal information managers, contact managers, databases, word processors, E-mail managers, and mail list management software). The Company also intends to develop its internet software tools as plug-ins for Web browsers and search engines (I.E., Microsoft Explorer, Netscape Navigator, Qualcomm Eudora, Alta Vista Extensions). Additionally, the Company intends to develop OEM products for proprietary hardware manufacturers in the telephony and cable modem markets.

## COMPETITION

The on-line services market and the market for listing information and related services is extremely competitive and there are no substantial barriers to entry. The Company expects that competition will intensify in the future. The Company competes, and will in the future compete, with traditional, widely used directory services such as the printed white pages, yellow pages, operator assisted directory services, on-line directories, CD-ROM directories, and with mailing list providers, many of which provide their information both in electronic and traditional forms. The Company is currently aware of approximately a dozen Web sites that provide residential and business listings and/or E-mail addresses, including those belonging to Netscape Communications Corporation and Yahoo!, Inc. Generally, all of the Company's competitors have substantially greater financial, technical, human, and marketing resources than those of the Company and greater experience than the Company in developing and marketing on-line services and directory databases. Such companies include local, regional and long distance telecommunication companies, telephone directory publishers, on-line or Internet services, a multitude of regional, international and industry specific directory companies, and a variety of commercial and institutional search engines and databases. In addition, many of

the Company's competitors provide directory assistance listings for free in order to attract viewership and advertise their other products. Telephone companies have provided directory assistance services for many years in conjunction with their common carrier telephone communication services. They also control the updating, production and distribution of telephone books which contain telephone numbers and address information. Traditionally, they have held dominant positions in their respective markets. Telephone companies may respond to new competition, including competition from the PC411 service, by enhancing their services in ways that cannot be matched by PC411 due to their position in the telecommunications industry and by linking directory assistance service to other products and services they offer. The Company believes that its ability to compete successfully will depend upon a number of factors, including brand awareness and market presence; the quality and completeness of its data; the accuracy of its search engine; the pricing policies of its competitors and suppliers; the features, ease of use and timing of introductions of new services by the Company and its competitors; and industry and general economic trends. Competitive pressures could result in reduced market share, price reductions, and increased spending on marketing and product development, which could adversely affect the Company's earnings and its ability to gain market share.

## INTELLECTUAL PROPERTY

The Company believes that it will be critical to establish itself as a branded supplier of directory assistance services and information. Accordingly, the Company regards its copyrights, service mark, trade secrets, and similar intellectual property as important to its success, and relies upon trademark and copyright law, trade secret protection, and confidentiality and/or license agreements with its employees, customers, partners, and others to protect its proprietary rights. "PC411" is a registered service mark on the principal register of the United States is owned by the Company. In addition, the Company has

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copyrighted the PC411 FOR WINDOWS software. No assurance can be given that any copyright or service mark will be enforceable and copyright laws afford only limited protection. Furthermore, there can be no assurance that any copyright or other rights will exclude competitors or provide competitive advantages to the Company. The Company intends to protect its mark and copyright by taking appropriate legal action whenever necessary, although there can be no assurance that the Company will be able to effectively enforce or protect its rights and prevent others from using the same or similar marks or copyrights. The Company's inability or failure to establish, or adequately protect its intellectual property rights may have a material adverse effect on the Company. A determination that the Company's use of the mark "PC411" infringes or otherwise violates the rights of owners of similar marks may cause the Company to incur significant expense and may also have a material adverse effect on the Company's growth prospects. See "Legal Proceedings" below.

## REGULATION

Generally, there are few specific government imposed limitations or guidelines pertaining to customer privacy or the pricing, service, characteristics or capabilities, geographic distribution or quality control features of products and services sold over the Internet. There exists, however, the risk that a U.S. governmental policy for regulating of the data network industry could be affected by executive order, legislation regulation or administrative rules or orders. Any such policy or regulations could have a material adverse effect on the Company, particularly if it makes use of and access to the Internet more difficult or costly. The Company cannot predict the impact, if any, that future regulation, legislation or regulatory changes may have on its business. There is currently pending in Congress legislation which would grant protection similar to copyright protection to compilers of data. Such legislation, if enacted, may give telephone companies the right to preclude others, such as Pro CD, from converting printed telephone directories into digital format without the consent of the telephone companies. In such event, the Company would have to seek alternative sources for licensing its database. There can be no assurance that such alternative sources would be available or would be willing to enter into a license arrangement with the Company on terms and conditions acceptable to the Company, if at all. In addition, recent legislative enactments, such as the Telecommunications Act, and pending legislative proposals aimed at limiting the use of the Internet to transmit certain information may decrease demand for Internet access, chill the development of Internet content, or have other adverse affects on Internet



service and product providers. In light of the uncertainty attached to interpretation and application of such laws, there can be no assurance that the Company would not have to modify its operations to comply with the statute. Finally, although the Company distributes published information that is already legally available to the public, there can be no assurance that due to the ease and price at which this information is available through PC411 that the Company will not face issues regarding invasion of privacy. Regulatory changes or new regulations relating to the telecommunications and media industries or with respect to invasion of privacy could directly effect the Company's business by either placing restrictions on PC411 or creating opportunities for other competitors.

INSURANCE

The Company's operations are dependent on its ability to protect its data center and network systems against damage from fire, earthquake, power loss, telecommunications failure, natural disaster and similar events. The Company does not have redundant, multiple site capacity in the event of such occurrence. The Company's computer equipment is located at its facilities in Inglewood, California. Any damage or failure that causes interruptions in the Company's operations could have a material adverse effect on the Company's business and results of operations. While the Company carries property and business interruption insurance, such coverage may not be adequate to compensate the Company for all losses that may occur.

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EMPLOYEES

The Company currently has two full-time employees -- its Chief Executive Officer and Chief Technology Officer -- and two part-time employees. None of the Company's employees are covered by a collective bargaining agreement. The Company believes its relationship with its employees is good.

PROPERTIES

The Company leases approximately 3,000 square feet of space in Inglewood, California which it uses as its executive offices and for all of its sales, data center, service and administrative functions. Monthly rent is \$2,530 plus a proportionate share of utilities, insurance, capital and operation expenses. The lease terminates August 31, 2000. The Company may use a portion of the net proceeds of the Offering to expand or relocate its facilities.

LEGAL PROCEEDINGS

There is no litigation pending against the Company. In March 1995, the Company was notified by a California company that its use of the "PC 411" name or any name with "411" infringed upon such company's right to their registered trademark. A demand was made that the Company cease and desist from use of the Company's registered "PC411" mark. The Company rejected such demand. The Company has not received any further communication with respect to this matter. The Company is not aware of any other threatened litigation.

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MANAGEMENT

EXECUTIVE OFFICERS, DIRECTORS, AND KEY PERSONNEL

The Company's executive officers, directors, and key personnel are as follows:

<TABLE>

<CAPTION>

NAME	AGE	POSITION
Dean R. Eaker.....	40	President, Chief Executive Officer and Director
Edward A. Fleiss.....	40	Vice President--Chief Technology Officer
Robert Lundgren.....	38	Vice President, Chief Financial Officer, Secretary and Director
Andrew Balog.....	30	Assistant Secretary
Richard J. Lampen.....	43	Director

</TABLE>

DEAN R. EAKER was engaged as the President and Chief Executive Officer of

the Company and became a director thereof in January 1997. Prior to that time, he was the President of Electronic Pictures Corp. ("EPC"), a company he founded in 1986. EPC specialized in developing markets for media and digital technology firms. After selling its publishing assets in 1989, EPC provided consulting services to publishing and technology companies such as Cowles Business Media and IBM's Media and Entertainment division. From 1991-1994, Mr. Eaker also served as Senior Vice President & Group Publisher of Knowledge Industry Publications, a publishing concern. In 1994, Mr. Eaker helped found Millennium Media Group, an electronic publishing company which published CD-ROM software for the education and consumer entertainment market. Mr. Eaker received a degree in Business Administration in 1979 from the University of Miami.

EDWARD A. FLEISS was engaged by the Company in January 1997 to serve as Vice President--Chief Technology Officer. Since 1996, he has served as the Chief Technology Officer of EPC. From 1993-1996 he served as Technology Sales Manager for Marcus Technology, Inc., New York, NY, a network integration firm specializing in printing and publishing systems, where he was responsible for developing server based solutions for the integration of proprietary and non-proprietary pre-press graphics workstations and researched and evaluated the use of new technology to be included in client solutions. From 1989-1993, Mr. Fleiss was the Technology Manager of Profile PS, Inc., Plainview, NY, where his responsibilities included evaluating the Company's capabilities in high-end electronic production, co-ordinated the Company's involvement in the Beta testing of various products, staff training and resolving client desktop publishing related issues. Mr. Fleiss was also one of the original founders of the former Association for Imaging Service Bureaus, one of the predecessors of the International Digital Image Association. Mr. Fleiss received a Bachelor of Arts in Radio, Television and Film Production from the School of Communications and Theatre of Temple University in 1978.

ROBERT M. LUNDGREN has served as Vice President, Chief Financial Officer and a Director of the Company since January 1997. Since November 1994, Mr. Lundgren has been employed by NVC, a publicly held company engaged in the investment banking and brokerage business, in the ownership and management of commercial real estate in the United States and Russia and in the computer software business. Since May 1996, he has held the position of Vice President and Chief Financial Officer of NVC. From November 1992 to November 1994, Mr. Lundgren worked for Deloitte & Touche as a Senior Manager in the audit practice. Prior to 1992, Mr. Lundgren was an auditor at another "Big Six" accounting firm and held financial positions with several different companies. Mr. Lundgren has been a certified public accountant since 1981 and holds a Bachelor of Science in Accounting from Wake Forest University.

ANDREW E. BALOG has served as Assistant Secretary of the Company since January 1997. Since November 1994, Mr. Balog has been Associate General Counsel of NVC and of its affiliates, Brooke Group Ltd., a New York Stock Exchange listed holding company ("Brooke"), and BGLS Inc., a wholly-owned subsidiary of Brooke ("BGLS"). Mr. Balog has been an Assistant Secretary of such companies since

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June 1995. From April 1993 to October 1994, Mr. Balog was the Secretary and General Counsel of Princeton Dental Management Corporation, a publicly held company engaged in the acquisition and management of dental practices and laboratories throughout the United States. Previously, Mr. Balog was engaged in the private practice of law. Mr. Balog received a Bachelor of Arts degree from Tulane University in 1988 and received a Juris Doctorate degree in 1991 from the University of Miami School of Law.

RICHARD J. LAMPEN has served as a director of the Company since January 1997. Since October 1995, Mr. Lampen has been the Executive Vice President of NVC and since July 1996, the Executive Vice President of Brooke and BGLS. From May 1992 to September 1995, Mr. Lampen was a partner at Steel Hector & Davis, a law firm located in Miami, Florida. From January 1991 to April 1992, Mr. Lampen was a Managing Director at Salomon Brothers Inc, an investment bank, and was an employee at Salomon Brothers Inc from 1986 to April 1992. Mr. Lampen is a director of NVC and Thinking Machines Corporation, a developer and marketer of data mining and knowledge discovery software and services in which NVC indirectly holds a controlling interest. Mr. Lampen has served as a director of a number of other companies, including U.S. Can Corporation and The International Bank of Miami, N.A., as well as a court-appointed independent director of Trump Plaza Funding, Inc. Mr. Lampen received a Bachelor of Arts degree from The Johns Hopkins University in 1975 and received a Juris Doctorate

degree in 1978 from Columbia Law School.

Each of the directors of the Company holds office until the next annual meeting of stockholders, or until his successor is elected and qualified. At present, the Company's By-laws provide for not less than two directors nor more than nine directors. Currently, there are three directors in the Company. The Company has agreed that, for as long as DAH, NVC or any of their affiliates beneficially owns, individually or in the aggregate, 5% or more of the Company's voting securities, it will use its best efforts to cause one individual, designated by NVC or DAH, to be elected to the Board. Such individual may be a director, officer, employee or affiliate of NVC or DAH. In addition, the Underwriter, for three (3) years after the date of this Prospectus, has the right to designate a director to serve on the Company's Board of Directors. The By-laws permit the board of directors to fill any vacancy and such director may serve until the next annual meeting of stockholders or until his successor is elected and qualified. Officers serve at the discretion of the Board of Directors.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has an Audit Committee comprised of and . The Audit Committee recommends to the Board of Directors the appointment of independent auditors, reviews and approves the scope of the annual audit of the Company's financial statement reviews and approves any non-audit services performed by the independent auditors and periodically reviews and approves major accounting policies and significant internal accounting control procedures.

The Board of Directors also has a Compensation Committee comprised of and . The Compensation Committee reviews and recommends to the Board of Directors compensation arrangements for officers and directors, administers stock option plans and reviews major personnel matters.

DIRECTOR COMPENSATION

The Company will reimburse the directors for reasonable travel expenses incurred in connection with their activities on behalf of the Company.

EXECUTIVE COMPENSATION

No executive of the Company received more than \$100,000 in compensation in 1995. The following table sets forth the combined annual salary and bonus paid or accrued by the Company for the year ended December 31, 1995, to the Company's then President and Chief Executive Officer.

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SUMMARY COMPENSATION TABLE

<TABLE>  
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<S> NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		
	<C> YEAR	<C> SALARY(\$)	<C> BONUS(\$)
Christopher C. Hansen (1).....	1995	33,333	0

(1) Mr. Hansen's annualized salary was \$50,000 for 1995. However, he did not begin to draw any salary until May, 1995.

EMPLOYMENT AGREEMENTS

The Company has entered into employment agreements ("Employment Agreements") with Dean R. Eaker and Edward A. Fleiss, both of which will take effect as of the date of the consummation of the Offering. Mr. Eaker's Employment Agreement is for a term of three years and provides for a base salary of \$180,000. Mr. Fleiss' Employment Agreement is for a term of three years and provides for a base salary of \$96,000. Base salaries may be supplemented by discretionary and performance increases as may be determined by the Board of Directors. The Employment Agreements provide, among other things, for participation in an

equitable manner in any profit-sharing or retirement, separation and disability plans for employees or executives and for participation in other employee benefits applicable to employees and executives of the Company. Pursuant to the Employment Agreements, employment may be terminated by the Company with "cause" or by the executive with "good reason". Termination by the Company without cause, or by the executive for "good reason", would subject the Company to liability for liquidated damages in an amount equal to the lesser of such executive's base salary for the remaining term of his or her Employment Agreement or 6 months base salary.

## STOCK OPTIONS

Prior to the date of this Prospectus, in order to attract and retain persons necessary for the business of the Company, the Company adopted its 1997 Stock Option Plan (the "Option Plan") covering up to 750,000 shares, pursuant to which officers, directors and key employees of the Company and consultants' to the Company are eligible to receive incentive and/or non-incentive stock options. The Option Plan, which expires ten years from the date of its adoption, will be administered by the Board of Directors or the Compensation Committee. The selection of participants, allotment of shares, determination of price and other conditions relating to the grant of options will be determined by the Board of Directors, or the Compensation Committee. Incentive stock options granted under the Option Plan are exercisable for a period of up to 10 years from the date of grant at an exercise price which is not less than the fair market value of the Common Stock on the date of the grant, except that the term of an incentive stock option granted under the Option Plan to a stockholder owning more than 10% of the outstanding Common Stock may not exceed five years and its exercise price may be not less than 110% of the fair market value of the Shares on the date of the grant. As of the date of this Prospectus, the Company had granted 364,000 stock options, exercisable at a price of \$4.00 per share to Mr. Eaker and 40,000 stock options, exercisable at a price of \$4.00 per share to Mr. Fleiss. One-third of such options are exercisable upon consummation of the Offering and one-third are exercisable at the end of each of the first and second year following consummation of the Offering. In addition, under the Option Plan, each outside director, immediately upon first taking office, is granted options for shares of Common Stock exercisable at the fair market value of such shares on the date of grant. Options for shares covered thereby are exercisable immediately and options for an additional shares are exercisable on each of the first and second anniversary of the date of grant. All options granted under the Option Plan are post stock split. See "Capitalization--Reorganization and Stock Split."

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The Company has adopted a special stock option plan providing for one-time grant of non-qualified options to NVC to purchase 500,000 shares of Common Stock, respectively, at an exercise price of \$5.25 per share.

## INDEMNIFICATION OF DIRECTORS AND RELATED MATTERS

The Company's Amended and Restated Certificate of Incorporation limits, to the maximum extent permitted by the DGCL, the personal liability of directors and officers for monetary damages for breach of their fiduciary duties as directors and officers (other than liabilities arising from acts or omissions which involve intentional misconduct, fraud or knowing violations of law or the payment of distributions in violation of the DGCL). The Amended and Restated Certificate of Incorporation provides further that the Company shall indemnify to the fullest extent permitted by the DGCL any person made a party to an action or proceeding by reason of the fact that such person was a director, officer, employee or agent of the Company. Subject to the Company's Amended and Restated Certificate of Incorporation, the By-laws provide that the Company shall indemnify directors and officers for all costs reasonably incurred in connection with any action, suit or proceeding in which such director or officer is made a party by virtue of his being an officer or director of the Company, except where such director or officer is finally adjudged to have been derelict in the performance of his duties as such director or officer.

The Company has entered into indemnification agreements with Messrs. Eaker and Fleiss. The Company may enter into separate indemnification agreements with other officers and directors containing provisions which are in some respects broader than the specific indemnification provisions contained in the Company's Amended and Restated Certificate of Incorporation and By-laws. The indemnification agreements may require the Company, among other things, to indemnify such directors and officers against certain liabilities that may arise

by reason of their status as directors and officers (other than liabilities arising from willful misconduct of a culpable nature), to advance their expenses as a result of any proceeding against them as to which they could be indemnified, and to obtain directors' and officers' insurance, if available on reasonable terms. The Company believes these agreements are necessary to attract and retain qualified persons as directors and officers. Insofar as indemnification for liabilities under the Securities Act may be provided to officers, directors or persons controlling the Company, the Company has been informed that in the opinion of the Commission, such indemnification is against public policy and is therefore unenforceable.

At present, there is no pending litigation or proceeding involving any director, officer, employee or agent of the Company where indemnification will be required or permitted. The Company is not aware of any threatened litigation or proceeding which may result in a claim for such indemnification.

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PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the shares of Common Stock owned on the date of this Prospectus and, as adjusted, to reflect the sale of Shares offered by this Prospectus, by (i) each person who is known by the Company to own beneficially more than five percent (5%) of the Company's Common Stock; (ii) each director of the Company; and (iii) all executive officers and directors of the Company as a group:

<TABLE>  
<CAPTION>

NAME AND ADDRESS(2)	PERCENTAGE OF SHARES OF COMMON STOCK(1)		
	NUMBER OF SHARES OF COMMON STOCK	BEFORE OFFERING	AFTER OFFERING
<S>	<C>	<C>	<C>
New Valley Corporation(3)(4)..... Direct Assist Holding, Inc. 100 S.E. 2nd Street Miami, FL 33131	1,990,000	92.56%	60.30%
Dean R. Eaker(4)..... 67 Stonehedge Drive South Greenwich, CT 06831	121,333	6.85%	4.15%
All executive officers and directors as a group (5 persons)(4).....	134,666	7.55%	4.59%
</TABLE>			

\* Less than 1%

(1) Assumes no exercise of the Warrants, the Over-Allotment Option, the Underwriter's Option, or the NVC Warrants, and that none of the 500,000 shares of Common Stock being offered by certain stockholders of the Company are sold. See "Concurrent Offering" and "Shares Eligible for Future Sale."

(2) Unless otherwise indicated, each named person has sole voting and investment power with respect to the shares set forth opposite such named person's name.

(3) Both NVC and DAH, a wholly-owned subsidiary of NVC, have shared voting and investment power with regard to such shares. Does not include the NVC Warrants or the shares of Common Stock underlying the NVC Warrants. Robert Lundgren, a director and an executive officer of the Company, serves as an executive officer of NVC. Richard J. Lampen, a director of the Company, serves as an executive officer and a director of NVC. Neither Mr. Lundgren nor Mr. Lampen has investment authority or voting control over the Company's securities. See "Management--Executive Officers, Directors, and Key Personnel."

(4) Includes shares subject to options exercisable within 60 days of the date of the effective date of the Offering.

## CERTAIN TRANSACTIONS

The Company and DAH, a wholly owned subsidiary of NVC, entered into an agreement dated as of May 10, 1995, as amended, pursuant to which the Company sold and DAH purchased 1,820 shares of the Company's authorized Preferred Stock for an aggregate of \$1,001,000 (\$550 per share). The holder of the Preferred Stock is entitled to receive an annual cash dividend of \$55 for each share of Preferred Stock. The right to receive dividends is cumulative. Approximately \$170,000 of the net proceeds of the Offering will be used to pay accrued and unpaid dividends on the Preferred Stock held by DAH. Initially, the Preferred Stock was convertible into shares of Common Stock on a one for one basis. In connection with the Loan Agreement (defined below), the conversion ratio on the Preferred Stock was increased to 4.7395 shares of Common Stock for each share of Preferred Stock.

The Company entered into a Loan and Security Agreement, dated as June 27, 1996, as amended (the "Loan Agreement"), with NVC pursuant to which NVC agreed, from time to time and in its absolute and sole discretion, to lend the Company up to an aggregate of \$750,000. The Company anticipates that the aggregate outstanding principal balance on the NVC Notes and accrued interest thereon on the date of this Prospectus will be \$550,000. Through September 30, 1996 NVC has made 9 advances aggregating approximately \$320,000. Each advance is evidenced by a demand promissory note issued by the Company and payable to NVC and bears interest at a rate of 12% per annum. The NVC Notes are secured by all of the assets of the Company. The Company will issue the NVC Warrants to NVC in satisfaction of \$250,000 of the indebtedness owed to NVC. The NVC Warrants are of the same class and have the same terms and conditions as the Warrants offered hereby. Accordingly, each NVC Warrant entitles the holder thereof to purchase one share of Common Stock during the Warrant Exercise Period at a price equal to 120% of the initial public offering price per Share. The remaining amount due to NVC, including accrued interest, estimated to be approximately \$300,000, will be repaid out of the net proceeds of the Offering.

In 1996, the Company paid approximately \$26,000 to Matthew E. Stasior, a former director of the Company, for consulting services rendered to the Company.

In December 1996, NVC made a demand for payment with respect to the debt owed by the Company under the Loan Agreement. The Company failed to pay the amount due. In January 1997, the Company and, DAH (on behalf of NVC), The Conrad Corporation and Matthew Stasior, stockholders of the Company, entered into an agreement which, among other things, provided for the following: (a) DAH will convert the 1,820 shares of Preferred Stock it owns into 8,626 shares of Common Stock; (b) prior to the Offering, the outstanding shares of Common Stock will be split 172.7336 for 1; (c) The Conrad Corporation will contribute to the Company such number of shares of Common Stock so that its holdings (post stock-split) will be reduced to 75,000 shares; (d) Matthew Stasior will contribute to the Company such number of shares of Common Stock so that his holdings (post stock-split) will be reduced to 25,000 shares; and (e) NVC and DAH agreed to restructure the existing notes so that they are no longer due and payable.

The Company will grant options to DAH to acquire up to 500,000 shares of Common Stock at an exercise price of \$5.25 per share. The Company has agreed with DAH that, upon its written request, the Company will file a registration statement with respect to the shares of Common Stock acquired upon the exercise of such options.

The Company has agreed, to the extent permitted by law, to indemnify and hold harmless each of DAH and NVC against certain liabilities in connection with the registration and offering of the Company's securities, including liabilities arising under the Securities Act, the Exchange Act or any comparable state securities laws. The Company has further agreed to pay all fees and expenses incident to the registration of such securities, except selling commissions and fees and expenses of counsel and any other professional advisors, if any, to each of DAH and NVC.

All future transactions with affiliates will be on terms no less favorable than could be obtained from unaffiliated parties and will be approved by a majority of the independent and disinterested directors. Any future loans to Company officers, directors, affiliates and/or stockholders will be approved by a majority of the independent and disinterested directors.

The Company is authorized to issue 25,000,000 shares of Common Stock and 5,000,000 shares of preferred stock. As of the date of this Prospectus, there are 1,650,000 shares of Common Stock outstanding held of record by 4 stockholders and no shares of Preferred Stock outstanding. In addition, prior to the date of this Prospectus, the Company issued the NVC Warrants.

## COMMON STOCK

There are no preemptive, subscription, conversion or redemption rights pertaining to the Common Stock. The absence of preemptive rights could result in a dilution of the interest of the existing stockholders should additional shares of Common Stock be issued. In addition, the rights of holders of the shares of Common Stock may become subject in the future to prior and superior rights and performances in the event the Board of Directors establishes one or more additional classes of Common Stock or one or more series of Preferred Stock. The Board of Directors has no present plan to establish any such additional class or series. See "Risk Factors--Delaware Anti-Takeover Statute; Issuance of Preferred Stock; Barriers to Takeover." Holders of the Common Stock are entitled to receive such dividends, if any, as may be declared by the Board of Directors out of assets legally available therefor and to share ratably in the assets of the Company available upon liquidation.

Each share of Common Stock is entitled to one vote for all purposes and cumulative voting is not permitted in the election of directors. Accordingly, the holders of more than 50% of all of the outstanding shares of Common Stock can elect all of the directors. Significant corporate transactions, such as amendments to the certificate of incorporation, mergers, sales of assets and dissolution or liquidation require approval by the affirmative vote of a majority of the outstanding shares of Common Stock. Other matters to be voted upon by the holders of Common Stock normally require the affirmative vote of a majority of the shares present or represented by proxy at the particular stockholders' meeting. Prior to the completion of this Offering, the Company's directors, officers and greater than 5% stockholders as a group beneficially own approximately 93% of the outstanding Common Stock of the Company. Upon completion of this Offering, such persons will beneficially own approximately 62% of the outstanding shares (59% if the Over-Allotment Option is exercised in full). See "Principal Stockholders." Accordingly, such persons will continue to be able to control the Company's affairs, including, without limitation, the sale of equity or debt securities of the Company, the appointment of officers, the determination of officers' compensation and the determination whether to cause a registration statement to be filed.

Concurrently, 500,000 shares of Common Stock and the NVC Warrants (including the shares of Common Stock underlying such Warrants) are being registered, at the Company's expense, for sale by certain stockholders pursuant to a separate prospectus. See "Shares Eligible For Future Sale."

Although the Company has applied for the listing of the shares of Common Stock on the Nasdaq SmallCap Market under the symbol PCFR, there is currently no established market for the Common Stock, and there is no assurance that any such market will develop. There can be no assurance that such shares will be quoted on such system or that an active market will be developed or be maintained after the Offering. See "Risk Factors--Lack of Public Market; Determination of Offering Price; Volatility of Price of Securities."

## PREFERRED STOCK

The Board of Directors of the Company is authorized (without any further action by the stockholders) to issue preferred stock in one or more series and to fix the voting rights, liquidation preferences, dividend rates, conversion rights, redemption rights and terms, including sinking fund provisions, and certain other rights and preferences. Satisfaction of any dividend preferences of outstanding preferred stock would reduce the amount of funds available for the payment of dividends, if any, on the Common Stock. Also holders of the preferred stock would normally be entitled to receive a preference payment in the event of

any liquidation, dissolution or winding up of the Company before any payment is made to the holders of Common Stock. In addition, under certain circumstances, the issuance of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder

of a large block of the Company's securities, or the removal of incumbent management. The Board of Directors of the Company, without stockholder approval, may issue preferred stock with voting and conversion rights which could adversely affect the holders of Common Stock. On the date of this Prospectus, none of the 5,000,000 authorized shares of preferred stock are outstanding and the Company has no present intention to issue any shares of preferred stock.

## REDEEMABLE CLASS A WARRANTS

The Company is offering 1,150,000 Warrants at an anticipated price of \$0.25 per Warrant. In addition, the Company has previously sold the NVC Warrants, the terms of which are identical to the Warrants offered hereby. Except as otherwise specifically provided herein, the following description of the Warrants and their terms apply to the NVC Warrants as well.

The Warrants will be issued under and governed by the provisions of a Warrant Agreement (the "Warrant Agreement") between the Company and American Stock Transfer and Trust Company, as warrant agent (the "Warrant Agent") and will be evidenced by warrant certificates in registered form. The following summary of the Warrant Agreement is not complete and is qualified in its entirety by reference to the Warrant Agreement, a copy of which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part.

The Shares and the Warrants offered hereby are being offered together on the basis of one Share and one Warrant and are detachable and separately transferable immediately upon consummation of the Offering. Each Warrant entitles the holder thereof to purchase one share of Common Stock at a price equal to 120% of the initial public offering price of the Shares during the Warrant Exercise Period--the period commencing one year from the date of this Prospectus and terminating four years thereafter. The shares of Common Stock underlying the Warrants will, upon exercise of the Warrants, be validly issued, fully paid and nonassessable. The Warrants are redeemable by the Company at any time during the Warrant Exercise Period for \$0.01 per Warrant if the average closing price or bid price of a shares of Common Stock, as reported on the Nasdaq SmallCap Market, equals or exceeds 175% of the initial public offering price of such shares, for any twenty (20) consecutive trading days ending within five (5) day prior to the date of the notice of redemption.

The Warrants can only be exercised when there is a current effective registration statement covering the shares of Common Stock underlying the Warrants. If the Company does not or is unable to maintain a current effective registration statement, the Warrantholders will be unable to exercise the Warrants and the Warrants may become valueless. Moreover, if the shares of Common Stock underlying the Warrants are not registered or qualified for sale in the state in which a Warrantholder resides, such holder might not be permitted to exercise the Warrants. In the event that the Warrants are called for redemption, the Warrantholders may not be able to exercise their Warrants in the event that the Company has not updated this Prospectus in accordance with the requirements of the Securities Act or the Warrants have not been qualified for sale under the laws of the state where the Warrantholder resides. In addition, in the event that the Warrants have been called for redemption, such call for redemption could force the Warrantholder to either (i) assuming the necessary updating to the Prospectus and state blue sky qualifications have been effected, exercise the Warrants and pay the exercise price at a time when, in the event of a decrease in market price from the period preceding the issuance of the call for redemption, it may be less than advantageous economically to do so, or (ii) accept the redemption price, which, in the event of an increase in the price of the Common Stock, could be substantially less than the market value thereof at the time of redemption. See "Risk Factors--Current Prospectus and State Registration Required to Exercise Warrants; Possible Adverse Effect Redemption of Warrants; Market Overhang."

The Warrantholders are not entitled to vote, receive dividends, or exercise any of the rights of holders of shares of Common Stock for any purpose. The Warrants are in registered form and may be presented for transfer, exchange or exercise at the office of the Warrant Agent. Although the Company has applied for listing of the Warrants on the Nasdaq SmallCap Market under the symbol PCFRW, there can be no assurance that the Warrants will be quoted on such system or under such symbol. There is currently no established market for the Warrants, and there is no assurance that any such market will develop.

Assuming there is a current effective registration statement covering the



shares of Common Stock underlying such Warrants, each Warrant may be exercised by surrendering the Warrant certificate, with the form of election to purchase on the reverse side of the Warrant certificate properly completed and executed, together with payment of the exercise price to the Warrant Agent. The Warrants may be exercised from time to time in whole or in part. If less than all of the Warrants evidenced by a Warrant certificate are exercised, a new Warrant certificate will be issued for the remaining number of Warrants.

The Warrant Agreement provides for adjustment of the exercise price and the number of shares of Common Stock purchasable upon exercise of the Warrants to protect Warrantholders against dilution in the event of stock dividends and distributions, stock splits, recapitalizations, mergers, consolidations and similar transactions.

#### TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Securities of the Company is the American Stock Transfer and Trust Company located at 40 Wall Street, New York, New York 10005.

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#### SHARES ELIGIBLE FOR FUTURE SALE

Prior to the Offering, there has been no market for the Common Stock or the Warrants and no predictions can be made for the effect, if any, that market sales of shares of Common Stock or the availability of such shares for sale will have on the market price prevailing from time to time. Sales of substantial amounts of the Common Stock and the Warrants in the public market could adversely affect prevailing market prices for the Common Stock and the Warrants and impair the Company's ability to raise equity capital in the future.

Upon completion of the Offering, there will be 2,800,000 shares of Common Stock issued and outstanding (2,972,500, if the Over-Allotment Option is exercised in full) and 2,150,000 Warrants (including the NVC Warrants) (2,322,500 if the Over-Allotment Option is exercised in full). Of these securities, the 1,150,000 Shares and 1,150,000 Warrants offered hereby will be freely tradable without registration or other restriction under the Securities Act, except for any shares purchased by an "affiliate" (as defined in the Securities Act) of the Company. Shares of Common Stock purchased by an "affiliate" of the Company will be subject to Rule 144.

The remaining 1,650,000 shares of Common Stock and 1,000,000 Warrants held by stockholders prior to the date of this Prospectus, are restricted securities as that term is defined in Rule 144 under the Securities Act ("Restricted Securities"). Restricted Securities may be sold in the public market only if registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 promulgated under the Securities Act. Sales of the Restricted Securities in the public market, or the availability of such securities for sale, could adversely affect the market prices of the Common Stock and the Warrants. Each of the Company's officers, directors and stockholders as of the date of this Prospectus, will enter into a Lock-Up Agreement relating to securities beneficially owned as of such date pursuant to which they agree not to, directly or indirectly, issue, offer, agree to offer to sell, sell or grant an option for the purchase of sale, transfer, pledge, assign, hypothecate, distribute or otherwise dispose of or encumber such securities or options, rights, warrants or other securities convertible into, exchangeable or exercisable for or evidencing any right to purchase or subscribe for shares of Common Stock (whether or not beneficially owned by such person) or any beneficial interest therein for a period of eighteen (18) months from the date of this Prospectus without the consent of the Underwriter. The Restricted Securities will also be subject to Rule 144. In general, under Rule 144 as currently in effect, any person (or persons whose shares are aggregated) including persons deemed to be affiliates, whose restricted securities have been fully paid for and held for at least two years from the later of the date of issuance by the Company or acquisition from an affiliate, may sell such securities in brokers' transactions or directly to market makers, provided that the number of shares sold in any three-month period does not exceed the greater of 1% of the then outstanding shares of Common Stock or the average weekly trading volume of the shares of Common Stock in the over-the-counter market during the four calendar weeks preceding the sale. Sales under Rule 144 are also subject to certain notice requirements and the availability of current public information about the Company. After three years have elapsed from the later of the issuance of restricted securities by the Company or their acquisition from

an affiliate, such securities may be sold without limitation by persons who are not affiliates under the rule.

The registration statement of which this Prospectus forms a part also includes a prospectus with respect to an offering (the "Current Offering") of the NVC Warrants owned by NVC and 1,000,000 shares of Common Stock issuable upon exercise of the NVC Warrants and 500,000 shares of Common Stock owned by DAH, all of which may be sold in the open market, in privately negotiated transactions or otherwise, directly by NVC and/or DAH (collectively, the "Selling Securityholders"). The Selling Securityholders have executed Lock-Up Agreements pursuant to which they have agreed that an aggregate of 500,000 of such Warrants and 250,000 of such shares will not be sold or otherwise disposed of for a period of 12 months from the date of this Prospectus without the prior written consent of the Underwriter, and that the remaining 500,000 Warrants and 250,000 shares will not be sold or otherwise disposed of for a period of 18 months from the date of this Prospectus without the prior consent of the Underwriter. The

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Company will not receive any proceeds from the sale of such securities. Expenses of the Concurrent Offering, other than fees and expenses of counsel to the Selling Securityholders, if any, and selling commissions, will be paid by the Company. The Underwriter may release such shares and Warrants from the provisions of the Lock-Up Agreement at any time after all securities subject to the Over-Allotment Option have been sold or such Option has expired. In other offerings where the Underwriter has acted as the managing underwriter, it has released similar restrictions applicable to selling securityholders prior to the expiration of the lock-up period and in some cases immediately after the exercise of the Over-Allotment Option or the expiration of the Over-Allotment Option period. Certificates evidencing such securities will bear a legend reflecting such restrictions. The sale of the such securities is subject to prospectus delivery and other requirements of the Securities Act. Sale of such securities or the potential of such sales at any time may have an adverse effect on the market prices of the Securities offered hereby.

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#### UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus is a part, the Underwriter has agreed to purchase from the Company 1,150,000 Shares and 1,150,000 Warrants offered hereby on a "firm commitment" basis. The Underwriter has advised the Company that it proposes to offer to the public the Shares at \$5.00 per Share and the Warrants at \$0.25 per Warrant and it may allow to certain dealers who are NASD members, at such prices less concessions not to exceed \$      per Share and \$      per Warrant. After the initial public offering, the public offering prices, concession and reallocation may be changed by the Underwriter.

The Company has granted an option to the Underwriter, exercisable during the 30-day period from the date of this Prospectus, to purchase up to a maximum of 172,500 additional Shares and 172,500 additional Warrants at the offering prices, less the underwriting discount, to cover over-allotments, if any.

The Underwriting Agreement provides for reciprocal indemnification between the Company and the Underwriter against certain liabilities in connection with the Registration Statement, including liabilities under the Securities Act.

The Company has agreed to pay to the Underwriter a non-accountable expense allowance of \$      equal to three percent (3%) of the aggregate offering price of the Securities offered hereby (or \$      assuming exercise of the Over-Allotment Option). The Underwriter's expenses in excess of the stated expense allowance will be borne by the Underwriter. To the extent that the expenses of the Underwriter are less than the stated expense allowance, the difference may be deemed compensation to the Underwriter in addition to the sales commission payable to the Underwriter. The Company has agreed to pay the Underwriter a consulting fee of \$100,000 out of the net proceeds of this Offering for financial advisory services to be rendered over the next two years.

The Company has agreed to grant to the Underwriter, or its designees, an option to purchase up to an aggregate of 115,000 shares of Common Stock and 115,000 Warrants ("Underwriter's Option"). The Underwriter's Option shall be exercisable during the four-year period commencing one (1) year after the date

of this Prospectus. The Underwriter's Option may not be assigned, transferred, sold or hypothecated by the Underwriter after the date of this Prospectus, except to officers or partners of the Underwriter or any of the underwriters and selling group members in the Offering. Any profits realized by the Underwriter upon the sale of the securities issuable upon exercise of the Underwriter's Option may be deemed to be additional underwriting compensation. The exercise price of the securities issuable upon exercise of the Underwriter's Option during the period of exercisability shall be 120% of the initial public offering prices of such Securities. The exercise price of the Underwriter's Option and the number of shares of Common Stock underlying the Underwriter's Option are subject to adjustment in certain events to prevent dilution. The holders of the Underwriter's Option are given, at a nominal cost, the opportunity to profit from a rise in the market price of the Company's Common Stock and Warrants with a resulting dilution in the interest of other stockholders. The Company may find it more difficult to raise capital for its business if the need should arise while the Underwriter's Option is outstanding. At any time when the holders of the Underwriter's Option might be expected to exercise it, the Company would probably be able to obtain additional capital on more favorable terms.

Except as set forth below, all existing stockholders have agreed in writing not to sell, assign or transfer any of the Company's securities without the Underwriter's prior written consent for a period of eighteen (18) months from the date of this Prospectus. Concurrently herewith, the NVC Warrants, and 1,000,000 shares of Common Stock underlying such Warrants, and 500,000 shares of Common Stock are being offered by the Selling Securityholders of which 500,000 Warrants and 250,000 shares of Common Stock may be sold upon expiration of a twelve (12) month lock-up period measured from the date of this Prospectus, subject to earlier release by the Underwriter, and the balance, consisting of 500,000 Warrants and 250,000 shares of Common Stock may be sold at any time after the eighteen (18) months from the date

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of this Prospectus, subject to earlier release at the sole discretion of the Underwriter. Subject to limited exceptions, the Company has also agreed not to issue any additional securities other than as contemplated by this Prospectus for a period of twenty four (24) months following the date of this Prospectus without the consent of the Underwriter.

The Company has also agreed that, if it enters into a transaction (including a merger, joint venture or the acquisition of another entity) introduced to the Company by the Underwriter within five (5) years from the date of this Prospectus, the Company will pay the Underwriter a fee equal to five percent of the first \$3 million of consideration received by the Company, four percent of the next \$3 million, three percent of the next \$2 million, two percent of the next \$2 million and one percent of the excess, if any, over \$10 million.

The Underwriter, for three (3) years after the date of this Prospectus, has the right to designate a director to serve on the Company's Board of Directors.

Following the consummation of the Offering, the Underwriter intends to seek others to make a market in the Company's Securities in addition to the Underwriter.

#### WARRANT SOLICITATION FEE

Beginning one year after the date of this Prospectus, and to the extent not inconsistent with the guidelines of the National Association of Securities Dealers and the rules and regulations of the Commission, the Company has agreed to pay to the Underwriter a warrant solicitation fee equal to 4% of the exercise price for each solicited Warrant exercised, payable upon exercise of the Warrant. However, no compensation will be paid to the Underwriter in connection with the exercise of the Warrant if (a) the market price of the underlying shares of Common Stock is lower than the exercise price of the Warrants, (b) the Warrants are held in a discretionary account, except where prior specific written approval for the exercise has been received, (c) the Warrants are exercised in an unsolicited transaction, (d) the Underwriter has not provided bona fide services in connection with the solicitation of the Warrant, (e) the holder of the Warrant has not in writing designated the Underwriter as the party to receive the solicitation fee, or (f) the compensation arrangements have not been disclosed at the time of the exercise. In addition, unless granted an exemption by the Commission from Rule 10b-6 under the Exchange Act, the Underwriter will be prohibited from engaging in any market making activities or solicited brokerage activities with regard to the Securities until the later of the

termination of such solicitations activity or the termination by waiver or otherwise of any right the Underwriter may have to receive a fee for the exercise of the Warrants following such solicitation.

#### LITIGATION INVOLVING UNDERWRITER MAY AFFECT SECURITIES

The Company has been advised by the Underwriter that on or about May 22, 1995, the Underwriter and Elliot Loewenstern and Richard Bronson, principals of the Underwriter, and the Commission agreed to an Offer of Settlement in connection with a complaint filed by the Commission in the United States District Court for the Southern District of Florida alleging violations of the federal securities laws, Section 17(a) of the Securities Act, Section 10(b) and 15(c) of the Exchange Act, and Rules 10b-5, 10b-6 and 15c1-2 promulgated thereunder. The complaint also alleged that in connection with the sale of securities in three (3) IPO's in 1992 and 1993, the Underwriter engaged in fraudulent sales practices. The proposed Offer of Settlement was consented to by the Underwriter and Messrs. Loewenstern and Bronson without admitting or denying the allegations of the complaint. The Offer of Settlement was approved by Judge Gonzales on June 6, 1995. Pursuant to the final judgment (the "Final Judgment"), the Underwriter:

- was required to disgorge \$1,000,000 to the Commission, which amount was paid in four (4) equal installments on or before June 22, 1995;
- agreed to the appointment of the Consultant.

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The Consultant was obligated, on or before November 1, 1996:

- to review the Underwriter's policies, practices and procedures in six (6) areas relating to compliance and sales practices;
- to formulate policies, practices and procedures for the Underwriter that the Consultant deems necessary with respect to the Underwriter's compliance and sales practices;
- to prepare the Report devoted to and which details the aforementioned policies, practices and procedures;
- to deliver the Report to the President of the Underwriter and to the staff of the Southeast Regional office of the Commission;
- to prepare, if necessary, a supervisory procedures and compliance manual for the Underwriter, or to amend the Underwriter's existing manual; and
- to formulate policies, practices and procedures designed to provide mandatory on-going training to all existing and newly hired employees of the Underwriter. The Final Judgment further provides that, within thirty (30) days of the Underwriter's receipt of the Report, unless such time is extended, the Underwriter shall adopt, implement and maintain an and all policies, practices and procedures set forth in the Report.

On or about December 19, 1996, the Consultant completed the Report which was thereafter delivered to the Underwriter. The Report addresses the areas relating to compliance and sales practices referred to above. The Underwriter is reviewing the Report and undertaking steps to implement the recommendations and procedures in the Report, in accordance with the provisions of the Final Judgment.

The Final Judgment also provides that the independent Auditor shall conduct four (4) special reviews of the Underwriter's policies, practices and procedures, the first such review to take place six (6) months after the Report has been delivered to the Underwriter and thereafter at six-month intervals. The Auditor is also authorized to conduct a review, on a random basis and without notice to the Underwriter, to certify that any persons associated with the Underwriter who have been suspended or barred by any Commission order are complying with the terms of such orders.

On July 10, 1995, the action against Messrs. Loewenstern and Bronson was dismissed with prejudice. Mr. Bronson has agreed to a suspension from associating in any supervisory capacity with any broker, dealer, municipal securities dealer, investment advisor or investment company for a period of twelve (12) months, dating from the beginning of such suspension. Mr.

Loewenstern has agreed to a suspension from associating in any supervisory capacity with any broker, dealer, municipal securities dealer, investment advisor or investment company for a period of twelve (12) months commencing upon the expiration of Mr. Bronson's suspension.

In the event that the requirements of the foregoing judgment adversely affect the Underwriter's ability to act as a market maker for the Shares, and additional brokers do not make a market in the Company's securities, the market for, and the liquidity of, the Company's securities may be adversely affected. In the event that other broker dealers fail to make a market in the Company's securities, the possibility exists that the market for and the liquidity of the Company's securities may be adversely affected to such an extent that public security holders may not have anyone to purchase their securities when offered for sale at any price. In such event, the market for, liquidity and prices of the Company's securities may not exist. For additional information regarding the Underwriter, investors may call the National Association of Securities Dealers, Inc. at (800) 289-9999.

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#### RECENT STATE ACTION INVOLVING THE UNDERWRITER--POSSIBLE LOSS OF LIQUIDITY

The State of Indiana has commenced an action seeking, among other things, to revoke the Underwriter's license to do business in such state. A hearing in this matter was scheduled for October 7, 1996 and has been adjourned pending settlement discussions. Such proceeding, if ultimately successful, may adversely affect the market for and liquidity of the Company's securities if additional broker dealers do not make a market in the Company's securities. Moreover, should Indiana investors purchase any of the Securities sold in the Offering from the Underwriter prior to the possible revocation of the Underwriter's license in Indiana, such investors will not be able to resell such securities in such state through the Underwriter but will be required to retain a new broker dealer firm for such purpose. The Company cannot ensure that other broker dealers will make a market in the Company's securities. In the event that other broker dealers fail to make a market in the Company's securities, the possibility exists that the market for and the liquidity of the company's securities may be adversely affected to an extent that public security holders may not have anyone to purchase their securities when offered for sale at any price. In such event, the market for, liquidity and prices of the Company's securities may not exist. The Company does not intend to seek qualification for the sale of the Securities in the state of Indiana. It should be noted that although the Underwriter may not be the sole market maker in the Company's securities, it will most likely be the dominant market maker in the Company's securities.

#### DETERMINATION OF PUBLIC OFFERING PRICE

Prior to the Offering, there has been no public market for the Shares or the Warrants. The public offering price of the Securities and the exercise price and other terms of the Warrants were arbitrarily determined by negotiations between the Company and the Underwriter and do not necessarily relate to the assets, book value or results of operations of the Company or any other established criteria of value.

#### LEGAL MATTERS

The validity of the Securities being offered hereby will be passed upon for the Company by Morse, Zelnick, Rose & Lander, LLP, New York, New York 10022-2605. Morse, Zelnick, Rose & Lander, LLP is the owner of 60,000 shares of Common Stock. Certain legal matters will be passed upon for the Underwriter by Bernstein & Wasserman, LLP, 950 Third Avenue, New York, New York 10022.

#### EXPERTS

The financial statements of the Company as of December 31, 1994 and 1995 and for each of the years then ended have been included herein and in the Registration Statement in reliance upon the report of KPMG Peat Marwick LLP, independent auditors, appearing elsewhere herein (which report contains an explanatory paragraph with respect to substantial doubt about the Company's ability to continue as a going concern), and upon the authority of said firm as experts in accounting and auditing.

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#### AVAILABLE INFORMATION

The Company is not a reporting company under the Exchange Act. The Company has filed a Registration Statement on Form SB-2 under the Securities Act with the Commission with respect to the Securities offered hereby. This Prospectus filed as a part of the Registration Statement does not contain all of the information contained in the Registration Statement and the exhibits thereto, certain portions of which have been omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Securities offered hereby, reference is made to such Registration Statements including the exhibits and schedules thereto. Statements contained in this Prospectus as to the contents of any contract, agreement or other documents are not necessarily complete, and in each instance, reference is made to such contract, agreement or other documents filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. The Registration Statement and exhibits may be inspected without charge and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the New York regional office of the Commission at Seven World Trade Center, 14th Floor, New York, New York 10048 and Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Registration statements transmitted throughout the Commission's Electronic Data Gathering Analysis and Retrieval System are also publicly available through the Commission's Internet site on the Web (<http://www.sec.gov>). Copies of such material can also be obtained from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Application will be made to list the Common Stock and the Warrants on the Nasdaq SmallCap Market. The foregoing material also should be available for inspection at the National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006.

The Company intends to furnish its stockholders with annual reports containing financial statements audited by its independent certified public accountants.

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors

PC411, Inc.:

We have audited the accompanying balance sheets of PC411, Inc. (a development stage company) as of December 31, 1994 and 1995 and the related statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 1995 and for the period from December 29, 1993 (date of inception) to December 31, 1995. 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 audits 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 that our audits provide 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 PC411, Inc. (a development stage company) as of December 31, 1994 and 1995 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 1995 and for the period from December 29, 1993 (date of inception) to December 31, 1995 in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that PC411, Inc. will continue as a going concern. As discussed in note 1 to the financial statements, the Company's losses from operations and deficit accumulated during the development stage raise substantial doubt about the entity's ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

KPMG Peat Marwick LLP

Long Beach, California

April 5, 1996, except as to  
Notes 2, 3, 5 and 9  
which are as of  
January 29, 1997

F-2  
PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS

<TABLE>  
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,
	1994	1995	1996
	<C>	<C>	<C>
			(UNAUDITED)
ASSETS (note 3):			
Current Assets:			
Cash and cash equivalents.....	\$ 25,248	\$ 370,827	\$ 101,367
Accounts receivable.....	--	--	5,325
Prepaid expenses.....	--	--	48,779
Total current assets.....	25,248	370,827	155,471
Property and equipment, net.....	51,619	152,300	142,457
Total assets.....	\$ 76,867	\$ 523,127	\$ 297,928
CURRENT LIABILITIES:			
Accrued expenses.....	\$ 5,002	\$ --	\$ 18,713
Deferred revenue (note 2).....	--	--	19,602
Related party demand loan payable, net of \$80,470 discount (note 3).....	--	--	239,309
Total current liabilities.....	5,002	--	277,624
STOCKHOLDERS' EQUITY (note 7):			
Preferred stock, Series A \$.01 par value. Authorized 10,000 shares;			

issued and outstanding 1,820 shares, liquidation value of \$550 per share.....	--	18	18	
Common stock, \$.01 par value. Authorized 10,000 shares; issued and outstanding 4,240 shares.....	42	42	42	
Additional paid-in capital.....	244,505	1,245,487	1,406,427	
Accumulated deficit during the development stage.....	(172,682)	(722,420)	(1,386,183)	
Net stockholders' equity.....	71,865	523,127	20,304	
Commitments and contingencies (notes 6, 7 and 9).....	--	--	--	
Total liabilities and stockholders' equity.....	\$ 76,867	\$ 523,127	\$ 297,928	

</TABLE>

See accompanying notes to financial statements.

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS

<TABLE>  
<CAPTION>

	PERIOD FROM DECEMBER 29, 1993 (DATE OF INCEPTION) TO DECEMBER 31, 1996		PERIOD FROM DECEMBER 29, 1993 (DATE OF INCEPTION) TO SEPTEMBER 30, 1995		PERIOD FROM DECEMBER 29, 1993 (DATE OF INCEPTION) TO SEPTEMBER 30, 1996	
	1994	1995	1995	1996	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
			(UNAUDITED)		(UNAUDITED)	
Revenues.....	\$ 352	\$ 12,144	\$ 2,759	\$ 23,084	\$ 12,496	\$ 35,580
Costs and expenses:						
Cost of revenues.....	10,073	92,694	51,251	56,673	102,767	159,440
Research and development.....	154,556	142,841	80,929	220,372	297,397	517,769
Sales and marketing.....	7,670	97,900	36,991	23,085	105,570	128,655
General and administrative.....	24,634	250,152	104,883	305,494	274,786	580,280
	196,933	583,587	274,054	605,624	780,520	1,386,144
Operating loss.....	(196,581)	(571,443)	(271,295)	(582,540)	(768,024)	(1,350,564)
Other income (expense):						
Interest income.....	1,037	22,505	15,862	4,233	23,542	27,775
Other income.....	22,862	--	--	--	22,862	22,862
Interest expense.....	--	--	--	(84,656)	--	(84,656)
	23,899	22,505	15,862	(80,423)	46,404	(34,019)
Loss before income taxes.....	(172,682)	(548,938)	(255,433)	(662,963)	(721,620)	(1,384,583)
Income taxes.....	--	800	800	800	800	1,600
Net loss.....	\$ (172,682)	\$ (549,738)	\$ (256,233)	\$ (663,763)	\$ (722,420)	\$ (1,386,183)
Net loss per share.....	\$ (36.68)	\$ (116.77)	\$ (54.43)	\$ (140.99)		
Shares used in computing net loss per share (see note 2).....	4,708	4,708	4,708	4,708		
Pro forma net loss per share (unaudited).....	\$ (0.10)	\$ (0.32)	\$ (0.15)	\$ (0.38)		



Shares used in computing pro forma  
net loss per share (unaudited).... 1,730,800 1,730,800 1,730,800 1,730,800

</TABLE>

See accompanying notes to financial statements.

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1995 AND 1994 AND PERIOD FROM  
DECEMBER 29, 1993 (DATE OF INCEPTION) TO SEPTEMBER 30, 1996

<TABLE>

<CAPTION>

	PREFERRED STOCK		COMMON STOCK		DEFICIT ACCUMULATED		DURING THE
	SHARES	AMOUNT	SHARES	PAID-IN AMOUNT	ADDITIONAL DEVELOPMENT CAPITAL	STAGE	
Issuance of common stock for cash.....	--	\$ --	4,240	\$ 42	\$ 152,458	\$ --	
Stockholder cash contribution.....	--	--	--	--	92,047	--	
Net loss.....	--	--	--	--	(172,682)	--	
Balance at December 31, 1994.....	--	--	4,240	42	244,505	(172,682)	
Issuance of preferred stock for cash.....	1,820	18	--	--	1,000,982	--	
Net loss.....	--	--	--	--	(549,738)	--	
Balance, December 31, 1995.....	1,820	18	4,240	42	1,245,487	(722,420)	
Discount on indebtedness associated with preferred stock conversion (unaudited)....	--	--	--	--	160,940	--	
Net loss (unaudited).....	--	--	--	--	(663,763)	--	
Balance at September 30, 1996 (unaudited ).....	1,820	\$ 18	4,240	\$ 42	\$ 1,406,427	\$ (1,386,183)	

<CAPTION>

TOTAL  
STOCKHOLDERS'  
EQUITY

Issuance of common stock for cash.....	\$ 152,500
Stockholder cash contribution.....	92,047
Net loss.....	(172,682)
Balance at December 31, 1994.....	71,865
Issuance of preferred stock for cash.....	1,001,000
Net loss.....	(549,738)
Balance, December 31, 1995.....	523,127
Discount on indebtedness associated with preferred stock conversion (unaudited)....	160,940
Net loss (unaudited).....	(663,763)
Balance at September 30, 1996 (unaudited ).....	\$ 20,304

</TABLE>

See accompanying notes to financial statements.

PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS

<TABLE>  
<CAPTION>

	YEAR ENDED		PERIOD FROM DECEMBER 29, 1993 (DATE OF INCEPTION) TO			
	DECEMBER 31,		NINE MONTHS ENDED		PERIOD FROM DECEMBER 29, 1993 (DATE OF INCEPTION) TO	
	1994	1995	1995	1996	1995	1996
	<C>	<C>	<C>	<C>	<C>	<C>
			(UNAUDITED)		(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net loss.....	\$ (172,682)	\$ (549,738)	\$ (256,233)	\$ (663,763)	\$ (722,420)	\$ (1,386,183)
Adjustments to reconcile net loss to net cash used in operating activities:						
Depreciation.....	5,700	23,039	8,648	27,793	28,739	56,532
Amortization of discount on loan payable.....	--	--	--	80,470	--	80,470
Changes in assets and liabilities:						
Accounts receivable.....	--	--	--	(5,325)	--	(5,325)
Prepaid expenses.....	--	--	--	(48,779)	--	(48,779)
Accrued expenses.....	5,002	(5,002)	(5,002)	18,713	--	18,713
Deferred revenue.....	--	--	--	19,602	--	19,602
Cash used in operating activities.....	(161,980)	(531,701)	(252,587)	(571,289)	(693,681)	(1,264,970)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Acquisitions of property and equipment.....	(57,319)	(123,720)	(107,037)	(17,950)	(181,039)	(198,989)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Issuance of loan payable.....	--	--	--	319,779	--	319,779
Issuance of preferred stock.....	--	1,001,000	1,001,000	--	1,001,000	1,001,000
Shareholder cash contribution.....	--	--	--	--	92,047	92,047
Issuance of common stock.....	--	--	--	--	152,500	152,500
Cash provided by financing activities.....	--	1,001,000	1,001,000	319,779	1,245,547	1,565,326
Net increase (decrease) in cash.....	(219,299)	345,579	641,376	(269,460)	370,827	101,367
Cash and cash equivalents at beginning of period.....	244,547	25,248	25,248	370,827	--	--
Cash and cash equivalents at end of period.....	\$ 25,248	\$ 370,827	\$ 666,624	\$ 101,367	\$ 370,827	\$ 101,367

</TABLE>

See accompanying notes to financial statements.

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

(INFORMATION AS OF SEPTEMBER 30, 1996 AND FOR THE NINE MONTHS

ENDED SEPTEMBER 30, 1995 AND 1996 IS UNAUDITED)

(1) BUSINESS AND ORGANIZATION

PC411, Inc. was incorporated in Delaware on December 29, 1993. The Company provides an on-line service that transmits name, address, telephone number and other related information electronically to users of personal computers.

The accompanying financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, as of September 30, 1996 and December 31, 1995, the Company had an accumulated deficit of \$1,386,183 and \$722,420, respectively. This factor, among others, indicates that the Company may be unable to continue as a going concern. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to obtain additional financing, generate sufficient cash flow to meet its obligations on a timely basis and ultimately to attain profitable operations. Management is of the opinion that the Company will be able to meet its obligations and sustain operations by obtaining additional financing and by eventually achieving profitable operations. There is no assurance that management's plan will be achieved.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### INTERIM FINANCIAL INFORMATION

The financial statements as of September 30, 1996 and for the nine months ended September 30, 1995 and 1996 are unaudited but reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of financial position and results of operations. Operating results for the nine months ended September 30, 1996 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 1996.

### REVENUE RECOGNITION

Revenue is recognized over the period services are provided. Deferred revenue consists of non-refundable registration fees and annual subscription fees billed in advance. Non-refundable registration fees are recognized as revenue as services are provided. Annual subscription fees are recognized as revenue on a straight line basis over the related subscription period. In 1995, non-refundable registration fees were recognized on receipt due to immateriality, and accordingly, were not deferred at December 31, 1995.

### DISTRIBUTION COSTS

Fees are paid to manufacturers of computer hardware to distribute the Company's software product which is "bundled" with the hardware products. These contractual stipulated fees are charged based on a percentage of revenues or number of registered customers. Distribution costs are included in cost of revenues on the statement of operations.

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(INFORMATION AS OF SEPTEMBER 30, 1996 AND FOR THE NINE MONTHS

ENDED SEPTEMBER 30, 1995 AND 1996 IS UNAUDITED)

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### LICENSE COSTS

The Company incurs license fees for the right to use a database of directory listings. Minimum fees are charged to operations in the related period as incurred. Variable fees are charged to operations based on a percentage of revenue recognized. License fee expenses are included in cost of revenues on the statement of operations.

### RESEARCH AND DEVELOPMENT

Research and development costs associated with the design and development of the Company's services have been charged to operations as incurred.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include money market funds with a weighted average

maturity of three months or less.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation of equipment is calculated on the straight-line method over the estimated useful lives of the assets, generally five years.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, accounts receivable and accrued expenses approximate their carrying values due to the relatively short maturities of these instruments. The fair value of the Company's related party demand loan payable is its face value of approximately \$320,000.

INCOME TAXES

The Company provides for income taxes under Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", which employs an asset and liability approach in accounting for income taxes payable or refundable at the date of the financial statements as a result of all events that have been recognized in the financial statements and as measured by the provisions of enacted tax laws.

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(INFORMATION AS OF SEPTEMBER 30, 1996 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 AND 1996 IS UNAUDITED)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
COMPUTATION OF NET LOSS PER SHARE

Net loss per share of Common Stock and Common Stock Equivalents has been computed using the weighted average number of shares of Common Stock and Common Stock Equivalents outstanding using the treasury stock method and is summarized as follows:

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED			
	YEAR ENDED		YEAR ENDED	
	DECEMBER 31,	DECEMBER 31,	SEPTEMBER 30,	SEPTEMBER 30,
	1994	1995	1995	1996
	<C>	<C>	<C>	<C>
	(UNAUDITED)			
Weighted average shares of Common Stock outstanding.....		4,240	4,240	4,240
Weighted average shares of Common Stock Equivalents issued or to be issued during the twelve months preceding the initial public offering.....		468	468	468
Shares used in net loss per share calculation.....		4,708	4,708	4,708

</TABLE>

Pursuant to the requirements of the Securities and Exchange Commission, common stock and common stock equivalents issued by the Company during the twelve months immediately preceding an initial public offering are to be included in the calculation of the weighted average shares outstanding for all periods presented using the Treasury-stock method. Accordingly, weighted average shares of common stock equivalents outstanding includes 468 common stock equivalents as a result of common stock options to be issued prior to the initial public offering (before effect of stock split, note 9), under the PC411, Inc. 1997 Stock Option Plan (notes 5 and 9), shown as outstanding for all periods presented.

The Company plans to terminate all issued and outstanding options under the 1994 Long-Term Incentive and Share Plan (note 5) in connection with the contemplated initial public offering (note 9) and issue new options at the contemplated initial public offering price under the 1997 Stock Option Plan (note 9). As such, the new options will be priced at the contemplated initial public offering price and therefore have no dilutive effect as common stock equivalents. Accordingly, weighted average common stock equivalents outstanding exclude common stock options issued or to be issued at the Company's initial public offering price.

For all periods presented, stock options and the Series A Cumulative Convertible Preferred Stock issued prior to the twelve months preceding the initial public offering date are excluded from the computation for loss periods as their inclusion would be antidilutive. On a pro forma basis (unaudited), the loss per share for the year ended December 31, 1995 and for the nine months ended September 30, 1996 assuming the inclusion of the Series A Cumulative Convertible Preferred Stock issued prior to the twelve months preceding the initial public offering date as common stock equivalents outstanding is \$(.32) and \$(.38), respectively. Shares used in computing pro forma net loss per share (unaudited) also include the effects of the contemplated stock split and anticipated issuance of 60,000 additional shares of common stock post stock split (notes 7 and 9).

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(INFORMATION AS OF SEPTEMBER 30, 1996 AND FOR THE NINE MONTHS

ENDED SEPTEMBER 30, 1995 AND 1996 IS UNAUDITED)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATIONS OF RISKS

The Company had no major customers whose receivable balance or revenues exceeded 10% of aggregate receivables or revenues as of and for the period ended December 31, 1995.

NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Statement No. 123 which is effective for years commencing after December 15, 1995. The Company does not intend to adopt the measurement and recognition criteria of Statement No. 123 but will be adopting the pro forma disclosure requirements of Statement No. 123 in its 1996 financial statements.

(3) RELATED PARTY TRANSACTIONS

The Company entered into a Loan and Security Agreement, dated as of June 27, 1996, as amended (the "Loan Agreement"), with New Valley Corporation, an affiliate of the holder of the Series A Cumulative Convertible Preferred Stock, pursuant to which New Valley agreed to provide the Company, in its sole and absolute discretion, with up to \$750,000 in financing. Amounts advanced under the Loan Agreement are due on demand and bear interest at 12% per annum. All advances are secured by all of the assets of the Company. As of September 30, 1996, the Company had drawn nine separate advances aggregating approximately \$320,000. Accordingly, at September 30, 1996, outstanding advances have been included in current liabilities in the accompanying balance sheet.

In connection with the Loan Agreement, the Conversion Price (note 7) with respect to the Series A Cumulative Convertible Preferred Stock held by Direct Assist Holding, Inc., a wholly owned subsidiary of New Valley, was adjusted

(note 7). Such adjustment was recognized as additional interest resulting in an imputed discount to the face amount of any notes issued under the Loan Agreement. The discount of \$160,940 is being amortized over the expected life of the Loan Agreement, which is six months. The Company will issue 1,000,000 Redeemable Class A Warrants at the proposed initial public price of \$0.25 per warrant in satisfaction of \$250,000 of indebtedness under the Loan Agreement. The remaining balance due under the Loan Agreement will be satisfied out of the net proceeds of the proposed public offering of the Company's Common Stock and Class A Warrants (note 9).

During the nine months ended September 30, 1996, a stockholder and director received approximately \$26,000 in exchange for consulting services.

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(INFORMATION AS OF SEPTEMBER 30, 1996 AND FOR THE NINE MONTHS  
ENDED SEPTEMBER 30, 1995 AND 1996 IS UNAUDITED)

(4) PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 1994 and 1995 and September 30, 1996 are as follows:

<TABLE>  
<CAPTION>

	DECEMBER 31, 1994	DECEMBER 31, 1995	SEPTEMBER 30, 1996
<S>	<C>	<C>	<C>
	(UNAUDITED)		
Computer hardware.....	\$ 50,002	137,352	153,323
Computer software.....	7,183	13,481	15,460
Other.....	134	30,206	30,206
	57,319	181,039	198,989
Less accumulated depreciation.....	(5,700)	(28,739)	(56,532)
	\$ 51,619	152,300	142,457

</TABLE>

(5) STOCK OPTIONS

The Company has a stock option plan, "1994 Long-Term Incentive and Share Award Plan." The plan provides for the grant of options to purchase the Company's stock to the employees of the Company. The number of the awards, the terms and conditions of any award granted under the plan (including, but not limited to, the exercise price, grant price or purchase price) are at the discretion of the Board of Directors.

The Board of Directors has set aside 750 shares of the Company's common stock for issuance under the plan.

The stock option activity for the plan is as follows:

<TABLE>  
<CAPTION>

	NUMBER OF SHARES	PRICE PER SHARE
<S>	<C>	<C>
Balance at December 31, 1993.....	--	\$ --
Options granted.....	200	125
Options terminated.....	--	--
Options exercised.....	--	--
Balance at December 31, 1994.....	200	125

Options granted.....	90	1,990
Options terminated.....	(200)	(125)
Options exercised.....	--	--
	-----	-----
Balance at December 31, 1995.....	90	\$ 1,990
Options granted.....	60	1,990
Options terminated.....	(60)	(1,990)
Options exercised.....	--	--
	-----	-----
Balance at September 30, 1996.....	90	\$ 1,990
	-----	-----
	-----	-----

</TABLE>

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(INFORMATION AS OF SEPTEMBER 30, 1996 AND FOR THE NINE MONTHS

ENDED SEPTEMBER 30, 1995 AND 1996 IS UNAUDITED)

(5) STOCK OPTIONS (CONTINUED)

Stock options issued in 1995 and 1996 vest over a three-year period and have an exercise price of \$1,990 per share. At September 30, 1996, 20 of the granted options were exercisable. Subsequent to September 30, 1996, the Company resolved to terminate the plan and replace it with a new option plan (note 9).

Subsequent to September 30, 1996, the Company's Board of Directors authorized the grant of 404,000 stock options (after giving effect to the stock split described in Note 9) at an exercise price of \$4.00 under the PC411, Inc. 1997 Stock Option Plan. One third of such options will vest upon the completion of the contemplated initial public offering and one third will vest at the end of each of the first and second years thereafter. When granted, the Company determined the fair market value of each of the Company's shares to be \$4.00, post-stock split; accordingly, no compensation expense will be recognized for these options.

(6) LEASES

The Company is obligated under noncancelable operating leases, primarily for facilities, that expire at various dates through 2000. The real property lease requires the Company to pay utilities, insurance, capital and operating expenses. Total rental expense for the year ended December 31, 1995 and the nine months ended September 30, 1996 was \$17,094 and \$27,694, respectively.

Future minimum lease payments under noncancelable operating leases at December 31, 1995 are as follows:

<TABLE>

<S>	<C>
Year ended December 31:	
1996.....	\$ 36,987
1997.....	36,616
1998.....	35,112
1999.....	35,112
2000.....	18,363
	-----
Total minimum lease payments.....	\$ 162,190
	-----
	-----

</TABLE>

(7) STOCKHOLDERS' EQUITY

PREFERRED STOCK

The Company has the authority to issue ten thousand (10,000) shares of Preferred Stock, which may be issued from time to time in one or more series. In May 1995, the Company sold and issued 1,820 shares of Series A Cumulative Convertible Preferred Stock, \$.01 par value. The Company has also designated

1,005 shares of Preferred Stock as Series B Voting Cumulative Convertible Preferred Stock, \$.01 par value of which no such shares are issued and outstanding. These two Series of stock are the "Designated Preferred Stock."

Holders of the Designated Preferred Stock are entitled to vote on all matters except that the holders of the Series A Preferred Stock may not vote in the election of directors so long as a certain stockholder owns a majority of the issued and outstanding capital stock on an as-if converted basis. The holders of a

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(INFORMATION AS OF SEPTEMBER 30, 1996 AND FOR THE NINE MONTHS

ENDED SEPTEMBER 30, 1995 AND 1996 IS UNAUDITED)

(7) STOCKHOLDERS' EQUITY (CONTINUED)

majority of the Series A Preferred Stock, voting separately as a class, will have the right to elect one director to the Board of Directors of the Company.

Dividends at an annual rate of \$55 and \$199 per share on the Series A and Series B Preferred Stock, respectively, are cumulative from the date of original issue and are payable annually in arrears, when and as declared by the Company's Board of Directors. At September 30, 1996 undeclared cumulative dividends on Series A Preferred Stock was approximately \$138,000. Additionally, during any fiscal year in which the Company has positive net income, the Company will apply twenty-five percent (25%) of such net income to the payment of accrued, but unpaid dividends on the Designated Preferred Stock.

The liquidation values of the Series A and Series B Preferred Stocks are \$550 and \$1,990, respectively, plus a further amount per share equal to accumulated but unpaid dividends. The holder of record of shares of Designated Preferred Stock will be entitled to receive in preference to any distribution of any assets of the Company to the holders of the common stock or any other series of Preferred Stock. If the Company's assets are insufficient to permit payment of the full preferential amounts then the entire assets of the Company will be distributed ratably among the holders of Designated Preferred Stock.

Upon the affirmative vote of fifty-one percent (51%) of the holders of record of the outstanding shares of Designated Preferred Stock, voting as a class, all outstanding shares of Designated Preferred Stock will be deemed automatically converted into such number of fully paid and nonassessable shares of Common Stock of the Company equal to the number of shares of Designated Preferred Stock multiplied by the "Conversion Price" in effect at that date. Initially the Conversion Price will be the Original Issue Price (as defined) and may be adjusted as provided by the "Restated Articles of Incorporation of the Company." Additionally, all shares of Designated Preferred Stock will automatically convert upon the consummation of a firm commitment underwritten public offering of the securities of the Company pursuant to a registration statement filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933. This automatic conversion will take place if the aggregate proceeds are not less than \$5,000,000 and the per share sales price to the public is not less than four dollars (\$4.00).

COMMON STOCK

During 1994, the Company issued 4,240 shares of Common Stock for cash consideration of \$152,500.

Dividends are payable when, and if, declared by the board of Directors only after payment of any unpaid dividends to holders of Preferred Stock.

Prior to the closing of the Company's contemplated initial public offering all 1,820 outstanding shares of Preferred Stock will be converted into 8,626 shares of Common Stock (prior to the contemplated stock split, note 9). The following table presents the Company's pro forma unaudited stockholders' equity as of September 30, 1996 assuming the 12,866 shares of Common Stock then outstanding, after the conversion of the Preferred Stock, are converted into 2,222,390 shares of Common Stock pursuant to a stock split (note 9), 632,390



shares of Common Stock subsequent to the stock split are contributed to the Company by certain stockholders (note 9), and the issuance of an additional 60,000 shares of Common Stock to the Company's counsel:

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(INFORMATION AS OF SEPTEMBER 30, 1996 AND FOR THE NINE MONTHS

ENDED SEPTEMBER 30, 1995 AND 1996 IS UNAUDITED)

(7) STOCKHOLDERS' EQUITY (CONTINUED)

<TABLE>  
<CAPTION>

	SEPTEMBER 30, 1996
<S>	<C>
PRO FORMA STOCKHOLDERS' EQUITY:	
Preferred stock, \$.01 par value. Authorized 10,000 shares; no issued and outstanding shares.....	--
Common stock, \$.01 par value. Authorized 25,000,000 shares; issued and outstanding 1,650,000 shares.....	16,500
Additional paid-in capital.....	1,389,987
Accumulated Deficit during the development stage.....	(1,386,183)
	-----
Net stockholders' equity.....	20,304
	-----
	-----

</TABLE>

(8) INCOME TAXES

Through May 12, 1995, the Company was a subchapter "S" corporation, and as such, incurred no federal corporate income taxes, and losses incurred through that date were reported by individual stockholders on their personal tax returns to the extent allowed by the Federal Tax Code. From May 13, 1995, through December 31, 1995, the Company had no income and therefore made no provision for federal and state income taxes other than the required California state minimum tax of \$800.

At December 31, 1995, the Company had approximately \$530,000 of net operating loss carryforwards for federal and state tax reporting purposes available to offset future taxable income, if any; such carryforwards expire in 2010 (federal) and 2002 (state), respectively. Deferred tax assets and liabilities principally relate to net operating loss carryforwards and aggregate approximately \$230,000 before valuation allowance. In assessing the realizability of the net deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. As of September 30, 1996, the Company has provided a full valuation allowance against net deferred tax assets due to the Company's uncertainty of future taxable income against which the deferred tax asset may be utilized. Accordingly, no deferred tax asset has been recorded in the accompanying balance sheet.

Under the Tax Reform Act of 1986, the amounts of and benefits from net operating loss carryforwards may be limited in certain circumstances. Events which may cause such limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three year period. The Company anticipates that a 50% change of ownership will have occurred as a result of the conversion of the preferred stock, the stock split and the consummation of the initial public offering.

(9) SUBSEQUENT EVENTS

INITIAL PUBLIC OFFERING

On October 15, 1996, the Board of Directors authorized the Company to proceed with an initial public offering of 1,150,000 shares of Common Stock and 1,150,000 Redeemable Class A Warrants to

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PC411, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(INFORMATION AS OF SEPTEMBER 30, 1996 AND FOR THE NINE MONTHS

ENDED SEPTEMBER 30, 1995 AND 1996 IS UNAUDITED)

(9) SUBSEQUENT EVENTS (CONTINUED)

purchase shares of Common Stock. If the Offering is consummated under the terms presently anticipated, all of the currently outstanding Preferred Stock will be converted into 8,626 shares of Common Stock and the then outstanding 12,866 shares of Common Stock will be converted into 2,222,390 shares of Common Stock pursuant to a 172.7336 for 1 stock split. Certain stockholders have committed to contributing 632,390 shares to the Company immediately thereafter resulting in 1,590,000 shares outstanding. In addition, the Company will issue an additional 60,000 shares to its legal counsel in connection with services rendered for the initial public offering. Pro forma share and per share information has been shown in the accompanying financial statements to reflect the effect of the anticipated conversion of Preferred Stock into Common Stock and Common Stock split.

STOCK OPTION PLANS

Subsequent to September 30, 1996, the Company's Board of Directors authorized the grant of 404,000 stock options (after giving effect to the stock split described above) at an exercise price of \$4.00 under the PC411 1996 Senior Executive Stock Option Plan. One third of such options will vest upon the completion of the contemplated initial public offering and one third will vest at the end of each of the first and second years thereafter. When granted, the Company determined the fair market value of each of the Company's shares to be \$4.00, post-stock split; accordingly, no compensation expense will be recognized for these options.

The Company plans to adopt the PC411, Inc. 1996 Stock Option Plan (the Plan) prior to the contemplated initial public offering. The purpose of the Plan is to align the interests of executives, other key employees and nonemployee directors of the Company with those of the Company, to afford an incentive to such officers, employees and directors to continue as such, to increase their efforts on behalf of the Company and to promote the success of the Company's business. The Plan will supersede the outstanding 1994 Long-Term Incentive and Share Award Plan, and all outstanding options issued under such plan will be terminated. The Plan reserves 750,000 shares of common stock for grant.

In addition, prior to the proposed initial public offering, the Company plans to adopt separate plans granting options to acquire an aggregate of 500,000 shares of common stock at \$5.25 per share to its three largest stockholders.

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[THIS PAGE CONTAINS TWO SEPARATE COMPUTER SCREEN SHOTS DEPICTING THE PC411 SERVICE PRESENTED THROUGH A NETSCAPE BROWSER. ONE SCREEN SHOWS THE SEARCH FROM WHERE USERS SPECIFY THE INFORMATION FOR WHICH THEY ARE LOOKING AND ANOTHER SCREEN IS SHOWING THE RESULTS OF A SEARCH.]

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NO UNDERWRITER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE HEREBY. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR AN OFFER TO ANY PERSON IN ANY JURISDICTION IN WHICH SUCH AN OFFER WOULD BE UNLAWFUL. ANY MATERIAL MODIFICATION OF THE OFFERING WILL BE ACCOMPLISHED BY MEANS OF AN AMENDMENT TO THE REGISTRATION STATEMENT. IN ADDITION, THE RIGHT IS RESERVED BY THE COMPANY TO CANCEL ANY CONFIRMATION OF SALE PRIOR TO THE RELEASE OF FUNDS, IF, IN THE

OPINION OF THE COMPANY, COMPLETION OF SUCH SALE WOULD VIOLATE FEDERAL OR STATE SECURITIES LAWS OR A RULE OR POLICY OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC., WASHINGTON, D.C. 20006.

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UNTIL , 1997 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL BROKER-DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY IS IN ADDITION TO THE OBLIGATIONS OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS, AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

1,150,000 SHARES OF COMMON STOCK  
1,150,000 REDEEMABLE CLASS A WARRANTS

[LOGO]

INC.

-----  
PROSPECTUS  
-----

BILTMORE SECURITIES, INC.  
, 1997

-----  
-----  
INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO THE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

[ALTERNATE PAGE FOR SELLING SECURITYHOLDERS PROSPECTUS]

SUBJECT TO COMPLETION, DATED FEBRUARY 11, 1997

PROSPECTUS

[LOGO]  
INC.  
500,000 SHARES OF COMMON STOCK  
1,000,000 REDEEMABLE CLASS A WARRANTS

This Prospectus relates to the sale of 500,000 shares (the "Shares") of common stock, \$0.01 par value per share (the "Common Stock") of PC411, Inc. (the "Company") and 1,000,000 Redeemable Class A Warrants (and the shares of Common Stock underlying such warrants) (the "Warrants" and together with the Shares, the "Securities") which are held by Direct Assist Holding Inc. and New Valley Corporation (the "Selling Securityholders"). All references herein to the Warrants shall be deemed to include the shares of Common Stock underlying the Warrants unless specified otherwise. The Securities offered hereby may be sold from time to time by the Selling Securityholders provided a current registration statement with respect to the Securities is then in effect and subject to the prior consent of Biltmore Securities, Inc. (the "Underwriter"), the underwriter of a concurrent public offering (the "Public Offering") by the Company, permitting such securities to be sold, with respect to 250,000 Shares and 500,000 Warrants, within twelve (12) months of the date of this Prospectus and, with respect to 250,000 Shares and 500,000 Warrants, within eighteen (18) months of the date of this Prospectus. See "Concurrent Offering," "Description of Securities" and "Plan of Distribution."

Each Warrant entitles the registered holder thereof (a "Warrantholder") to purchase one share of Common Stock at an initial exercise price equal to 120% of the initial public offering price per share of Common Stock offered in the Public Offering is a part at any time during the period commencing one (1) year from the date of this Prospectus and terminating four (4) years thereafter (the "Warrant Exercise Period"). The Warrant exercise price is subject to adjustment under certain circumstances. All, but not less than all, of the Warrants are subject to redemption by the Company, at \$0.01 per Warrant, at any time during the Warrant Exercise Period on thirty (30) days prior written notice to the Warrantholders if the per share closing bid price of the Common Stock as reported on the Nasdaq SmallCap Market equals or exceeds 175% of the initial public offering price per share of Common Stock offered in the Public Offering for any twenty (20) consecutive trading days ending within five (5) days of the notice of redemption.

The distribution of the Securities offered hereby by the Selling Securityholders may be effected in one or more transactions that may take place on the over-the-counter market, including ordinary broker's transactions, privately-negotiated transactions or through sales to one or more dealers for resale of such securities as principals, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the Selling Securityholders.

The Selling Securityholders and intermediaries through whom such securities are sold may be deemed "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Securities Act") with respect to the securities offered hereby, and any profits realized or commissions received may be deemed underwriting compensation.

The Company will not receive any of the proceeds from the sale of the Securities by the Selling Securityholders. Expenses of the Offering, other than fees and expenses of counsel to the Selling Securityholders and selling commissions, will be paid by the Company. See "Plan of Distribution."

On the date of this Prospectus, a registration statement, filed under the Securities Act with respect to the Public Offering by the Company of 1,150,000 shares of Common Stock and 1,150,000 Redeemable Class A Warrants (the "Class A Warrants") and up to 172,500 additional shares of Common Stock and 172,500 additional Class A Warrants to cover over-allotments, if any, was declared effective by the Securities and Exchange Commission (the "Commission"). After payment of underwriting discounts and commissions and estimated expenses of the underwritten public offering, the Company will receive net proceeds of approximately \$4,752,625 from the sale of the shares of Common Stock and Class A Warrants included in the Public Offering, and will receive approximately \$788,000 in additional net proceeds if the over-allotment option is exercised in full. Sales of the Securities by the Selling Securityholders or even the potential of such sales, would likely have an adverse affect on the market price

of the shares of Common Stock and the Class A Warrants sold in the Public Offering.

Application has been made to have the Common Stock and Warrants on the Nasdaq SmallCap Market under the symbols PCFR and PCFRW, respectively.

THE SECURITIES OFFERED HEREBY INVOLVE HIGH DEGREE AND RISK AND IMMEDIATE SUBSTANTIAL DILUTION. SEE "RISK FACTORS" COMMENCING ON PAGE .

-----  
THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE

, 1997

[ALTERNATE PAGE FOR SELLING SECURITYHOLDERS PROSPECTUS]

#### THE OFFERING

<TABLE>

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<C>

Securities offered hereby(1)..... 500,000 Shares and 1,000,000 Warrants. Each Warrant entitles the registered holder thereof to purchase one share of Common Stock at an initial exercise price equal to 120% of the price per share in the Public Offering at any time during the period commencing one (1) year from the date of this Prospectus and ending four (4) years thereafter (the "Warrant Exercise Period"). All, but not less than all, of the Warrants are subject to redemption by the Company at \$.01 per Warrant, at any time during the Warrant Exercise Period upon 30 days' prior written notice to the Warrantholders, if the per share closing price of the Common Stock as reported on the Nasdaq SmallCap Market equals or exceeds 175% of the initial public offering price per share in the Public Offering, for any 20 trading days within a period of 30 consecutive trading days ending within five trading days prior to the date of notice of redemption,. See "Description of Securities-- Warrants."

Securities outstanding after the Offering(2):

Common Stock(3)..... 2,800,000 shares

Warrants..... 2,150,000 warrants

Proposed Nasdaq Symbols

Common Stock..... PCFR

Warrants..... PCFRW

Use of Proceeds..... None of the proceeds of this Offering will go to the Company. The net proceeds from the Public Offering (after payment of underwriting discounts and a non-accountable expense allowance to the Underwriter and other expenses of the Offering) to the Company from the sale of the Securities offered hereby are expected to be approximately \$4,750,000 (assuming an initial public offering price of \$5.00 per Share and \$0.25 per Warrant). Such net proceeds will be used principally for the continued development and marketing of the PC411 service, to repay certain short-term indebtedness and accrued interest thereon to a related party, pay accumulated dividends on the Preferred Stock, for general corporate purposes and working capital. See "Use of Proceeds."

Risk Factors..... An investment in the Securities offered hereby is speculative and involves a high degree of risk. This Prospectus contains

</TABLE>

[ALTERNATE PAGE FOR SELLING SECURITYHOLDERS PROSPECTUS]

<TABLE>

<S>

<C>

forward-looking information which involves risks and uncertainties. The Company's actual results could differ materially from those anticipated by such forward-looking information as a result of various factors, including those discussed under "Risk Factors" in this Prospectus. In addition, purchasers of the Shares offered hereby will experience immediate and substantial dilution with respect to their investment. See "Risk Factors."

</TABLE>

- 
- (1) An additional 1,150,000 shares of Common Stock (1,322,500 if the over-allotment option is exercised in full) and 1,150,000 Class A Warrants (1,322,500 if the over-allotment option is exercised in full) are being offered by the Company in the Public Offering. See "Concurrent Offering."
  - (2) Assumes that the shares of Common Stock and the Class A Warrants offered in the Public Offering have been sold by the Company and that none of the Warrants or the Class A Warrants have been exercised.
  - (3) Does not include shares of Common Stock issuable upon exercise of (i) the Warrants; (ii) the Class A Warrants; (iii) the Underwriter's over-allotment option to purchase up to 172,500 shares of Common Stock and 172,500 Class A Warrants (the "Over-Allotment Option"); (iv) the Underwriter's option to purchase up to 115,000 shares of Common Stock and 115,000 Class A Warrants (the "Underwriter's Option"); (v) options held by Direct Assist Holding Inc. ("DAH"), a wholly-owned subsidiary of New Valley Corporation ("NVC"), to purchase 500,000 shares of Common Stock at \$5.25 per share (the "Principal Stockholder Options"); and (vi) options to purchase 750,000 shares of Common Stock reserved for issuance under the Company's 1996 Stock Option Plan (the "Option Plan"). See "Management", "Principal Stockholders", "Concurrent Offering" and "Description of Securities."

[ALTERNATE PAGE FOR SELLING SECURITYHOLDERS PROSPECTUS]

#### CONCURRENT OFFERING

On the date of this Prospectus, a registration statement under the Securities Act with respect to the Public Offering by the Company of 1,150,000 shares of Common Stock and 1,150,000 Class A Warrants and up to an additional 172,500 shares of Common Stock and an additional 172,500 Class A Warrants to cover over-allotments, if any, was declared effective by the Commission. Sales of securities by the Company and the Selling Securityholders, or even the potential of such sales, would likely have an adverse affect on the market price of the shares of Common Stock and the Warrants. See "Risk Factors--Shares Eligible for Future Sale."

[ALTERNATE PAGE FOR SELLING SECURITYHOLDERS PROSPECTUS]

#### PLAN OF DISTRIBUTION

The Securities offered hereby are being offered directly by the Selling Securityholders, subject to the agreement with the Underwriter of the Public Offering that 250,000 of the Shares and 500,000 of the Warrants may not be sold for a period of 12 months from the date of this Prospectus without the prior written consent of the Underwriter, and the balance, consisting of 250,000 Shares and 500,000 Warrants, may not be sold for a period of eighteen (18) months from the date of this Prospectus without the consent of the Underwriter. Such Shares and Warrants will be freely tradeable provided that when they are released by the Underwriter, a current registration statement with respect to such Securities is then in effect. The following table sets forth certain information regarding each of the Selling Securityholders. Except as set forth below, to the knowledge of the Company, there is no position, office or other material relationship between any of the Selling Securityholders and the

Company, nor have any such material relationships existed within the past three years. Except as indicated in the footnotes to this table, the Company believes that the persons named in the following table have sole voting and investment power with respect to the shares of Common Stock indicated.

<TABLE>

<CAPTION>

NAMES AND ADDRESSES	SHARES	NUMBER OF	SHARES	WARRANTS	NUMBER OF
	BENEFICIALLY OWNED PRIOR TO THIS OFFERING	SHARES BEING OFFERED FOR SALE(1)	BENEFICIALLY OWNED AFTER THE OFFERING(1)	BENEFICIALLY OWNED AFTER THE OFFERING(1)	WARRANTS TO THE OWNED FOR SALE(1)
<S>	<C>	<C>	<C>	<C>	<C>
New Valley Corporation(2)(3)(4).....	1,990,000	500,000	1,490,000	1,000,000	1,000,000
Direct Assist Holding, Inc. 100 S.E. 2nd Street Miami, Florida 33131					
Totals.....	1,990,000	500,000	990,000	1,000,000	1,000,000

<CAPTION>

NAMES AND ADDRESSES	WARRANTS BENEFICIALLY OWNED AFTER THE OFFERING(1)
<S>	<C>
New Valley Corporation(2)(3)(4).....	0
Direct Assist Holding, Inc. 100 S.E. 2nd Street Miami, Florida 33131	
Totals.....	0

</TABLE>

(1) Assumes all of the Shares and Warrants being registered will be sold.

(2) Both NVC and DAH, a wholly-owned subsidiary of NVC, have shared voting and investment power with regard to such shares. Does not include the NVC Warrants or the shares of Common Stock underlying the NVC Warrants. Robert Lundgren, a director and an executive officer of the Company, serves as an executive officer of NVC. Richard J. Lampen, a director of the Company, serves as an executive officer and a director of NVC. Neither Mr. Lundgren nor Mr. Lampen has investment authority or voting control over the Company's securities. See "Management--Executive Officers, Directors, and Key Personnel."

(3) Includes 500,000 shares subject to options exercisable within 60 days of the effective date of the Offering.

(4) Employees of NVC currently serve as officers and directors of the Company.  
[ALTERNATE PAGE FOR SELLING SECURITYHOLDERS PROSPECTUS]

The Company will not receive any of the proceeds from the sale of any of the Securities by the Selling Securityholders. The sale of the Securities may be effected by the Selling Securityholders from time to time in one or more transactions that may take place on the over-the-counter market, on the Nasdaq SmallCap Market, privately-negotiated transactions, or in a combination of such methods of sale, at fixed prices which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the Selling Securityholders in connection with such sales of securities. The Selling Securityholders may effect such transactions by selling the Securities to or through the Underwriter, who may receive compensation in the form of discounts, concessions or commissions from the Selling Securityholders and/or purchasers of the Securities for whom it may act as agent or to whom it sells as principal or both (which compensation might be in excess of customary commissions).

In order to comply with the securities laws of certain states, if applicable, the Securities will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the

Securities may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with by the Company and the Selling Securityholders.

The Selling Securityholders and any broker-dealers, agents or underwriters that participate with the Selling Securityholders in the distribution of the shares may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act and any securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

Under applicable rules and regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any person engaged in the distribution of the Securities may not simultaneously engage in market-making- activities with respect to the Securities for a period of two business days prior to the commencement of such distribution. In addition and without limiting the foregoing, each Selling Securityholder will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including without limitation, Rules 10b-6, 10b-6A and 10b-7, which provisions may limit the timing of the purchases and sales of securities by the Selling Securityholders.

The Company has agreed to indemnify the Selling Securityholders against certain liabilities in connection with the registration and offering of the Securities, including liabilities arising under the Securities Act and Exchange Act or any comparable state securities laws. The Company has further agreed to pay all fees and expenses incident to the registration of the Securities, except selling commissions and fees and expenses of counsel or any other professionals or other advisors, if any, to the Selling Securityholders.

[ALTERNATE PAGE FOR SELLING SECURITYHOLDERS PROSPECTUS]

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NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE HEREBY. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE SELLING SECURITYHOLDERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR AN OFFER TO ANY PERSON IN ANY JURISDICTION IN WHICH SUCH AN OFFER WOULD BE UNLAWFUL. ANY MATERIAL MODIFICATION OF THE OFFERING WILL BE ACCOMPLISHED BY MEANS OF AN AMENDMENT TO THE REGISTRATION STATEMENT. IN ADDITION, THE RIGHT IS RESERVED BY THE SELLING SECURITYHOLDERS TO CANCEL ANY CONFIRMATION OF SALE PRIOR TO THE RELEASE OF FUNDS, IF, IN THE OPINION OF THE SELLING SECURITYHOLDERS, COMPLETION OF SUCH SALE WOULD VIOLATE FEDERAL OR STATE SECURITIES LAWS OR A RULE OR POLICY OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC., WASHINGTON, D.C. 20006.

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500,000 SHARES OF COMMON STOCK  
1,000,000 REDEEMABLE CLASS A WARRANTS

[LOGO]

INC.

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PROSPECTUS

-----

, 1997

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

#### ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Sections 145 of the Delaware General Corporation Law grants to the Company the power to indemnify the officers and directors of the Company, under certain circumstances and subject to certain conditions and limitations as stated therein, against all expenses and liabilities incurred by or imposed upon them as a result of suits brought against them as such officers and directors if they act in good faith and in a manner they reasonably believe to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, have no reasonable cause to believe their conduct was unlawful.

The Company's certificate of incorporation provides as follows:

"NINTH: A director of the corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the derived an improper personal benefit.

TENTH: (a) RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights that said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrator; provided, however, that except as provided in paragraph (b) hereof, the Corporation shall indemnify and such

person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the General Corporation Law requires, the payment of such expenses incurred by a director or officer (in his or her capacity as a director or officer and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

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(b) RIGHT OF CLAIMANT TO BRING SUIT. If a claim under paragraph (a) of this Section is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Nether the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard or conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) NON-EXCLUSIVITY OF RIGHTS. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusively of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, by-law, agreement, vote of stockholder or disinterested directors or otherwise.

(d) INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law."

Reference is made to the form of the Underwriting Agreement, filed as Exhibit 1.1 hereto, which contains provisions for indemnification of the Company, its directors, officers, and any controlling persons, by the Underwriter against certain liabilities for information furnished by the Underwriter.

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Expenses in connection with the issuance and distribution of the Securities registered hereunder other than underwriting commissions and expenses, are estimated below.

<TABLE>	
<S>	<C>
Registration fee.....	\$ 7,300.00
NASD fee.....	3,200.00

NASDAQ Listing fee.....	12,000.00
Printing expenses.....	100,000.00
Accounting fees and expenses.....	100,000.00
Legal fees and expenses.....	175,000.00
State securities law fees and expenses.....	50,000.00
Transfer agent and registrar fees and expenses.....	2,500.00
Miscellaneous.....	50,000.00
	-----
Total.....	\$500,000.00
	-----
	-----

</TABLE>

The Selling Securityholders will not pay any of the foregoing expenses in connection with the alternative Offering.

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### ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES

During the past three years the Registrant has issued the following unregistered securities:

#### 1. Shares issued to Christopher C. Hansen:

(a) In January 1994, the Company issued 10 shares of Common Stock at a price of \$100 per share.

(b) In May 1994, the Company issued 3,490 shares of Common Stock at a price of \$14.33 per share.

(c) In December 1994, the Company issued 210 shares of Common Stock at a price of \$125 per share.

#### 2. Shares issued to Matthew E. Stasior:

(a) In June 1994, the Company issued 500 shares of Common Stock at a price of \$125 per share.

(b) In December 1994, the Company issued 30 shares of Common Stock at a price of \$125 per share.

#### 3. Shares issued to Direct Assist Holding Inc.:

(a) In May 1995, the Company issued 1,820 shares of its Series A Cumulative Convertible Preferred Stock (the "Preferred Stock") to Direct Assist Holding Inc. at a price of \$550 per share.

(b) Effective June 1996 the Company and DAH agreed to modify the terms of the Preferred Stock by increasing the conversion ratio from 1 to 1 to 4.7395 to 1.

4. Prior to the date of this Prospectus, the Company (a) will issue 8,626 shares of Common Stock to DAH in exchange for the 1,820 shares of Preferred Stock then held by DAH and (b) and the 12,866 shares of Common Stock then outstanding will be split 172.7336 for 1. In connection with such stock split The Conrad Corporation (as successor to the interests of Christopher C. Hansen) and Matthew E. Stasior will contribute 632,390 shares to the Company.

5. Immediately prior to the date of this Prospectus, the Company will issue 60,000 Shares of Common Stock to Morse, Zelnick, Rose & Lander, LLP.

6. Immediately prior to the date of this Prospectus, the Company will sell 1,000,000 Class A Redeemable Warrants to New Valley Corporation at a price of \$0.25 per warrant, or \$250,000 in the aggregate, in satisfaction of \$250,000 of short-term indebtedness. Each warrant will entitle New Valley Corporation to purchase one share of Common Stock at a purchase equal to 120% of the initial public offering price per Share

The transactions described above did not involve public offerings of the Registrant's securities and were exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereunder and, with respect to the conversion of the Preferred Stock, Section 3(a)(9) of the Securities Act. In each instance the Company was also relying on the sophistication of the

particular investor. All of the shares issued in the above transactions have appropriate restrictive legends and are subject to "stop transfer" instructions.

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ITEM 27. EXHIBITS

(a) EXHIBITS:

<TABLE>

<CAPTION>

EXHIBIT

NO.

DESCRIPTION

<S> <C>

1.1	Form of Underwriting Agreement
2.1	Form of Amendment to Certificate of Incorporation Authorizing Stock Split (See Exhibit 3.1)
3.1	Form of Amended and Restated Certificate of Incorporation of the Company
3.2	Form of By-Laws of the Company
4.1	Specimen Stock Certificate*
4.2	Form of Class A Redeemable Warrant*
4.3	Form of Underwriter's Option
4.4	Form of Warrant Agreement
5.1	Form of Opinion of Morse, Zelnick, Rose & Lander, LLP
10.1	Form of 1997 Stock Option Plan
10.2	Form of Employment Agreement between the Company and Dean R. Eaker*
10.3	Form of Employment Agreement between the Company and Edward A. Fleiss*
10.4	Agreement of Lease between Trizec Properties, Inc. and the Company
10.5	Agreement with DeltaNet*
10.6	PC411 Distribution Agreement between the Company and Hewlett-Packard
10.7	Distribution Agreement between the Company and U.S. Robotics
10.8	License Agreement between the Company and International Business Machines Corporation
10.9	License Agreement with Sony Corporation of America
10.10	License Agreement with Pro CD, Inc.
10.11	Form of Software License Agreement
10.12	Form of PC411, Inc. New Valley Corporation Stock Option Plan and Agreement*
23.1	Consent of KPMG Peat Marwick LLP
23.2	Consent of Morse, Zelnick, Rose & Lander, LLP (included in Exhibit 5.1)
24.	Power of Attorney (included in signature page)

</TABLE>

\* To be filed by amendment.

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ITEM 28. CERTAIN UNDERTAKINGS

A. The undersigned Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the Securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the Securities being registered which remain unsold at the termination of the offering.

(4) To provide to the Underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the Underwriter to permit prompt delivery to each purchaser.

(5) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(6) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the Securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

B. Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the Securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

In accordance with the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and authorized this Registration Statement to be signed on its behalf by the undersigned, in the City of Inglewood, State of California on February 11, 1997.

PC411, INC.

By: /S/ DEAN R. EAKER

-----  
Dean R. Eaker

PRESIDENT AND CHIEF  
EXECUTIVE OFFICER

In accordance with the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed on February 11, 1997 by the following persons in the capacities indicated and each of the undersigned persons, in any capacity, hereby severally constitutes Dean R. Eaker and Joel J. Goldschmidt, and each of them singularly, his true and lawful attorney with full power to them and each of them to sign for him and in his name and in the capacity indicated below, this Registration Statement and any and all amendments thereto.

SIGNATURE	TITLE
----- /s/ DEAN R. EAKER ----- Dean R. Eaker	President, Chief Executive Officer and Director
----- /s/ ROBERT LUNDGREN ----- Robert Lundgren	Vice President, Chief Financial Officer, Secretary and Director
----- /s/ RICHARD J. LAMPEN ----- Richard J. Lampen	Director

1,150,000 Shares and  
1,150,000 Redeemable Class A Warrants

PC411, INC.

UNDERWRITING AGREEMENT

New York, New York  
November \_\_, 1996

Biltmore Securities, Inc.  
6700 N. Andrews Avenue  
Fort Lauderdale, Florida 33309

PC411, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to you (the "Underwriter") 1,150,000 shares (the "Shares") of Common Stock, par value \$.01 per share ("Common Stock") and 1,150,000 Redeemable Class A Warrants (the "Warrants"), each to purchase one share of Common Stock at an initial exercise price equal to 120% of the initial public offering price per share at any time during the period commencing one (1) year from \_\_\_\_\_, 1997 and terminating four (4) years thereafter (the "Warrant Exercise Period"). The Shares and the Warrants are sometimes hereinafter referred to as (the "Securities"). Until the completion of the Offering, the Shares and Warrants may only be purchased together on the basis of one Share and one Warrant. Immediately after the offering the Shares and Warrants will trade separately. The Warrant exercise price is subject to adjustment under certain circumstances.

You have advised the Company that you desire to purchase the Shares and the Warrants. The Company confirms the agreement made by them with respect to the purchase of the Shares and the Warrants by the Underwriter as follows:

1. Representations and Warranties of the Company. The Company represents and warrants to, and agrees with you that:

(a) A registration statement (File No. 33-----) on Form SB-2 relating to the public offering of the Shares and the Warrants, including a form of prospectus subject to completion, copies of which have heretofore been delivered to you, has been prepared in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder, and has been filed with the Commission under the Act and one or more amendments to such registration statement may have been so filed. After the execution of this Agreement, the Company will file with the Commission either (i) if such registration statement, as it may have been amended, has been declared by the Commission to be effective under the Act, a prospectus in the form most recently included in an amendment to such registration statement (or, if no such amendment shall have been filed, in such registration statement), with such changes or insertions as are required by Rule 430A under the Act or permitted by Rule 424(b) under the Act and as have been provided to and approved by you prior to the execution of this Agreement, or (ii) if such registration statement, as it may have been amended, has not been declared by the Commission to be effective under the Act, an amendment to such registration statement, including a form of prospectus, a copy of which amendment has been furnished to and approved by you prior to the execution of this Agreement. As used in this Agreement, the term "Registration Statement" means such registration statement, as amended at the time when it was or is declared effective, including all financial schedules and exhibits thereto and including any information omitted therefrom pursuant to Rule 430A under the Act and included in the Prospectus (as hereinafter defined); the term "Preliminary Prospectus" means each Prospectus subject to completion filed with such Registration Statement or any amendment thereto (including the prospectus subject to completion, if any, included in the Registration

Statement or any amendment thereto at the time it was or is declared effective); and the term "Prospectus" means the prospectus first filed with the Commission pursuant to Rule 424(b) under the Act, or, if no prospectus is required to be filed pursuant to said Rule 424(b), such term means the prospectus included in the Registration Statement; except that if such Registration Statement or prospectus is amended or such prospectus is supplemented, after the effective date of such registration statement, the terms "Registration Statement" and "Prospectus" shall include such registration statement and prospectus as so amended, and the term

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"Prospectus" shall include the prospectus as so supplemented, or both, as the case may be.

(b) The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus. At the time the Registration Statement becomes effective and at all times subsequent thereto up to and on the First Closing Date (as hereinafter defined)(i) the Registration Statement and Prospectus will in all material respects conform to the requirements of the Act and the Rules and Regulations; and (ii) neither the Registration Statement nor the Prospectus will include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make statements therein not misleading; provided, however, that the Company makes no representations, warranties or agreements as to information contained in or omitted from the Registration Statement or Prospectus in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of the Underwriter specifically for use in the preparation thereof. It is understood that the statements set forth in the Prospectus on page 2 with respect to stabilization, the paragraph under the heading "Underwriting" relating to concessions to certain dealers, the two legends on page 4 of the Prospectus, all descriptions involving litigation of the Underwriter, the "Underwriting" Section of the Prospectus and the identity of counsel to the Underwriter under the heading "Legal Matters" constitute for purposes of this Section and Section 6(b) the only information furnished in writing by or on behalf of the Underwriter for inclusion in the Registration Statement and Prospectus, as the case may be.

(c) The Company and each of its subsidiaries ("the Subsidiaries") have been duly incorporated and are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation, with full corporate power and authority to own its properties and conduct its business as described in the Prospectus and is duly qualified or licensed to do business as a foreign corporation and is in good standing in each other jurisdiction in which the nature of its business or the character or location of its properties requires such qualification, except where the failure to so qualify will not materially adversely affect the Company's or Subsidiaries' business, properties or financial condition.

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(d) The authorized, issued and outstanding capital stock of the Company, including the predecessors of the Company, as of September 30, 1996 is as set forth in the Prospectus under "Capitalization"; the shares of issued and outstanding capital stock of the Company set forth thereunder have been duly authorized, validly issued and are fully paid and nonassessable; except as set forth in the Prospectus, no options, warrants, or other rights to purchase, agreements or other obligations to issue, or agreements or other rights to convert any obligation into, any shares of capital stock of the Company have been granted or entered into by the Company; and the capital stock conforms to all statements relating thereto contained in the Registration Statement and Prospectus.

(e) The Shares are duly authorized, and when issued and delivered pursuant to this Agreement, will be duly authorized, validly issued, fully paid and nonassessable and free of preemptive rights of any security holder of the Company. Neither the filing of the Registration Statement nor the offering or sale of the Shares as contemplated in this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any shares of Common Stock, except as described in the Registration Statement.

The Warrants have been duly authorized and, when issued and delivered



pursuant to this Agreement, will have been duly executed, issued and delivered and will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or other laws affecting the right of creditors generally or by general equitable principles, and entitled to the benefits provided by the warrant agreement pursuant to which such Warrants are to be issued (the "Warrant Agreement"), which will be substantially in the form filed as an exhibit to the Registration Statement. The shares of Common Stock issuable upon exercise of the Warrants have been reserved for issuance upon the exercise of the Warrants and when issued in accordance with the terms of the Warrants and Warrant Agreement, will be duly and validly authorized, validly issued, fully paid and non-assessable, and free of preemptive rights and no personal liability will attach to the ownership thereof. The Warrant Agreement has been duly authorized and, when executed and delivered pursuant to this Agreement, will have been duly executed and delivered and will

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constitute the valid and legally binding obligation of the Company enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other laws affecting the rights of creditors generally or by general equitable principles. The Warrants and Warrant Agreement conform to the respective descriptions thereof in the Registration Statement and Prospectus.

The Shares and Warrants contained in the Underwriter's Option (as defined as the Underwriter's Option in the Registration Statement) have been duly authorized and, when duly issued and delivered, such securities will constitute a valid and legally binding obligation of the Company enforceable in accordance with its terms and entitled to the benefits provided by the Underwriter's Option, except as enforceability may be limited by bankruptcy, insolvency or other laws affecting the rights of creditors generally or by general equitable principles and the indemnification contained in paragraph 7 of the Underwriter's Option may be unenforceable. The Shares included in the Underwriter's Option (and the shares of Common Stock issuable upon exercise of the Warrants included therein) when issued and sold, will be duly authorized, validly issued, fully paid and non-assessable and free of preemptive rights and no personal liability will attach to the ownership thereof.

(f) This Agreement and the Underwriter's Option have been duly and validly authorized, executed, and delivered by the Company. The Company has full power and authority to authorize, issue, and sell the Securities to be sold by it hereunder on the terms and conditions set forth herein, and no consent, approval, authorization or other order of any governmental authority is required in connection with such authorization, execution and delivery or in connection with the authorization, issuance, and sale of the Securities or the Underwriter's Option, except such as may be required under the Act or state securities laws.

(g) Except as described in the Prospectus, or which would not have a material adverse effect on the condition (financial or otherwise), business prospects, net worth or properties of the Company and Subsidiaries taken as a whole (a "Material Adverse Effect"), the Company and Subsidiaries are not in material violation, breach, or default of or under, and consummation of the transactions herein contemplated and the

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fulfillment of the terms of this Agreement will not conflict with, or result in a material breach or violation of, any of the terms or provisions of, or constitute a material default under, or result in the creation or imposition of any material lien, charge, or encumbrance upon any of the property or assets of the Company or the Subsidiaries pursuant to the terms of, any material indenture, mortgage, deed of trust, loan agreement, or other material agreement or instrument to which the Company or the Subsidiaries is a party or by which the Company or the Subsidiaries may be bound or to which any of the property or assets of the Company or the Subsidiaries is subject, nor will such action result in any violation of the provisions of the articles of incorporation or the by-laws of the Company or the Subsidiaries, as amended, or any statute or any order, rule or regulation applicable to the Company of any court or of any regulatory authority or other governmental body having jurisdiction over the Company or the Subsidiaries.

(h) Subject to the qualifications stated in the Prospectus, the Company and Subsidiaries have good and marketable title to all properties and assets described in the Prospectus as owned by it, free and clear of all liens, charges, encumbrances or restrictions, except such as are not materially significant or important in relation to their business; subject to the qualifications stated in the Prospectus, all of the material leases and subleases under which the Company or the Subsidiaries is the lessor or sublessor of properties or assets or under which the Company or the Subsidiaries holds properties or assets as lessee or sublessee as described in the Prospectus are in full force and effect, and, except as described in the Prospectus, the Company and Subsidiaries are not in default in any material respect with respect to any of the terms or provisions of any of such leases or subleases, and, to the best knowledge of the Company, no claim has been asserted by anyone adverse to rights of the Company or the Subsidiaries as lessor, sublessor, lessee, or sublessee under any of the leases or subleases mentioned above, or affecting or questioning the right of the Company or the Subsidiaries to continued possession of the leased or subleased premises or assets under any such lease or sublease except as described or referred to in the Prospectus; and the Company and Subsidiaries own or lease all such properties described in the Prospectus as are necessary to its operations as now conducted and, except as otherwise stated in the Prospectus, as proposed to be conducted as set forth in the Prospectus.

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(i) KPMG Peat Marwick, LLP, independent auditors, who have given their reports on certain financial statements filed with the Commission as a part of the Registration Statement, are with respect to the Company, independent public accountants as required by the Act and the Rules and Regulations.

(j) The combined/consolidated financial statements, and schedules together with related notes, set forth in the Prospectus or the Registration Statement present fairly the financial position and results of operations and changes in cash flow position of the Company and the Subsidiaries on the basis stated in the Registration Statement, at the respective dates and for the respective periods to which they apply. To the best of the Company's knowledge, said statements and schedules and related notes have been prepared in accordance with generally accepted accounting principles applied on a basis which is consistent during the periods involved except as disclosed in the Prospectus and Registration Statement. The information set forth under the caption "Selected Financial Data" in the Prospectus fairly present, on the basis stated in the Prospectus, the information included therein.

(k) Subsequent to the respective dates as of which information is given in the Registration Statement and Prospectus and except as otherwise disclosed or contemplated therein, the Company and the Subsidiaries have not incurred any liabilities or obligations, direct or contingent, not in the ordinary course of business, or entered into any transaction not in the ordinary course of business, which would have a Material Adverse Effect, and there has not been any change in the capital stock of, or any incurrence of short-term or long-term debt by, the Company or the Subsidiaries or any issuance of options, warrants or other rights to purchase the capital stock of the Company or the Subsidiaries or any Material Adverse Effect or any development involving, so far as the Company or the Subsidiaries can now reasonably foresee, a prospective Material Adverse Effect.

(l) Except as set forth in the Prospectus, there is not now pending or, to the knowledge of the Company, threatened, any action, suit or proceeding to which the Company or the Subsidiaries is a party before or by any court or governmental agency or body, which might result in any Material Adverse Effect, nor are there any actions, suits or proceedings related to environmental matters

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or related to discrimination on the basis of age, sex, religion or race; and no labor disputes involving the employees of the Company or the Subsidiaries exist or to the knowledge of the Company, are threatened which might be reasonably expected to have a Material Adverse Effect.

(m) Except as disclosed in the Prospectus, the Company and the Subsidiaries have filed all necessary federal, state, and foreign income and franchise tax returns required to be filed as of the date hereof and have paid all taxes shown as due thereon; and there is no tax deficiency which has been

asserted against the Company or the Subsidiaries.

(n) Except as disclosed in the Registration Statement, the Company and each of the Subsidiaries, has sufficient licenses, permits, and other governmental authorizations currently necessary for the conduct of its business or the ownership of its properties as described in the Prospectus and is in all material respects complying therewith and owns or possesses adequate rights to use all material patents, patent applications, trademarks, service marks, trade-names, trademark registrations, service mark registrations, copyrights, and licenses necessary for the conduct of such business and has not received any notice of conflict with the asserted rights of others in respect thereof. To the best knowledge of the Company, none of the activities or business of the Company and the Subsidiaries are in violation of, or cause the Company or the Subsidiaries to violate, any law, rule, regulation, or order of the United States, any state, county, or locality, or of any agency or body of the United States or of any state, county or locality, the violation of which would have a Material Adverse Effect.

(o) The Company and the Subsidiaries have not, directly or indirectly, at any time (i) made any contributions to any candidate for political office, or failed to disclose fully any such contribution in violation of law or (ii) made any payment to any state, federal or foreign governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments or contributions required or allowed by applicable law.

(p) On the First Closing Date (as hereinafter defined) all transfer or other taxes, (including franchise, capital stock or

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other tax, other than income taxes, imposed by any jurisdiction) if any, which are required to be paid in connection with the sale and transfer of the Securities to the Underwriter hereunder will have been fully paid or provided for by the Company and all laws imposing such taxes will have been complied with in all material respects.

(q) All contracts and other documents of the Company and the Subsidiaries which are, under the Rules and Regulations, required to be filed as exhibits to the Registration Statement have been so filed.

(r) Except as disclosed in the Registration Statement, the Company has no other subsidiaries.

(s) Except as disclosed in the Registration Statement, the Company and the Subsidiaries have not entered into any agreement pursuant to which any person is entitled either directly or indirectly to compensation from the Company or the Subsidiaries for services as a finder in connection with the proposed public offering.

(t) Except as disclosed in the Prospectus, no officer, director, or stockholder of the Company has any National Association of Securities Dealers, Inc. (the "NASD") affiliation.

(u) No other firm, corporation or person has any rights to underwrite an offering of any of the Company's securities.

## 2. Purchase, Delivery and Sale of the Securities

(a) Subject to the terms and conditions of this Agreement, and upon the basis of the representations, warranties, and agreements herein contained, the Company agrees to issue and sell to the Underwriter, and the Underwriter agrees to buy from the Company at \$4.50 per Share, at the place and time hereinafter specified, 1,150,000 Shares (the "First Shares") and 1,150,000 Warrants at \$.225 per Warrant (the "First Warrants") at the place and time hereafter specified.

Delivery of the First Shares and First Warrants against payment therefor shall take place at the offices of Bernstein & Wasserman, LLP, 950 Third Avenue, New York, New York

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(or at such other place as may be designated by agreement between the Underwriter and the Company) at 10:00 a.m., New York time, on \_\_\_\_\_ 1996, or at such later time and date as the Underwriter may designate in writing to the Company at least two business days prior to such purchase, but not later than March 31, 1997 such time and date of payment and delivery for the First Shares and First Warrants being herein called the "First Closing Date."

(b) Intentionally Omitted.

(c) The Company will make the certificates for the securities comprising the Shares and Warrants to be purchased by the Underwriter hereunder available to the Underwriter for checking at least two full business days prior to the First Closing Date. The certificates shall be in such names and denominations as the Underwriter may request, at least three full business days prior to the First Closing Date. Delivery of the certificates at the time and place specified in this Agreement is a further condition to the obligations of the Underwriter.

Definitive certificates in negotiable form for the Securities to be purchased by the Underwriter hereunder will be delivered by the Company to the Underwriter for the account of the Underwriter against payment of the respective purchase prices by the Underwriter, by wire transfer in immediately available funds, payable to the Company.

It is understood that the Underwriter proposes to offer the Shares and the Warrants to be purchased hereunder to the public upon the terms and conditions set forth in the Registration Statement, after the Registration Statement becomes effective.

3. Covenants of the Company. The Company covenants and agrees with the Underwriter that:

(a) The Company will use its best efforts to cause the Registration Statement to become effective. If required, the Company will file the Prospectus and any amendment or supplement thereto with the Commission in the manner and within the time period required by Rule 424(b) under the Act. Upon notification from the Commission that the Registration Statement has become effective, the Company will so advise the Underwriter and will not at any time, whether before or after the effective date, file any

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amendment to the Registration Statement or supplement to the Prospectus of which the Underwriter shall not previously have been advised and furnished with a copy or to which the Underwriter or its counsel shall have reasonably objected in writing or which is not in compliance with the Act and the Rules and Regulations. At any time prior to the later of (A) the completion by the Underwriter of the distribution of the Securities contemplated hereby (but in no event more than nine months after the date on which the Registration Statement shall have become or been declared effective) and (B) 25 days after the date on which the Registration Statement shall have become or been declared effective, the Company will prepare and file with the Commission, promptly upon the Underwriter's request, any amendments or supplements to the Registration Statement or Prospectus which, in the opinion of counsel to the Company and the Underwriter, may be reasonably necessary or advisable in connection with the distribution of the Securities.

As soon as the Company is advised thereof, the Company will advise the Underwriter, and provide the Underwriter copies of any written advice, of the receipt of any comments of the Commission, of the effectiveness of any post-effective amendment to the Registration Statement, of the filing of any supplement to the Prospectus or any amended Prospectus, of any request made by the Commission for an amendment of the Registration Statement or for supplementing of the Prospectus or for additional information with respect thereto, of the issuance by the Commission or any state or regulatory body of any stop order or other order or threat thereof suspending the effectiveness of the Registration Statement or any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Securities for offering in any jurisdiction, or of the institution of any proceedings for any of such purposes, and will use its best efforts to prevent the issuance of any such order, and, if issued, to obtain as soon as possible the lifting thereof.

The Company has caused to be delivered to the Underwriter copies of each Preliminary Prospectus, and the Company has consented and hereby consents to the use of such copies for the purposes permitted by the Act. The Company authorizes the Underwriter and dealers to use the Prospectus in connection with the sale of the Shares and the Warrants for such period as in the opinion of counsel to the Underwriter and the Company the use

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thereof is required to comply with the applicable provisions of the Act and the Rules and Regulations. In case of the happening, at any time within such period as a Prospectus is required under the Act to be delivered in connection with sales by the Underwriter or any dealer, of any event of which the Company has knowledge and which has a Material Adverse Effect on the Company or the securities of the Company, or which in the opinion of counsel for the Company and counsel for the Underwriter should be set forth in an amendment of the Registration Statement or a supplement to the Prospectus in order to make the statements therein not then misleading, in light of the circumstances existing at the time the Prospectus is required to be delivered to a purchaser of the Securities or in case it shall be necessary to amend or supplement the Prospectus to comply with law or with the Rules and Regulations, the Company will notify the Underwriter promptly and forthwith prepare and furnish to the Underwriter copies of such amended Prospectus or of such supplement to be attached to the Prospectus, in such quantities as the Underwriter may reasonably request, in order that the Prospectus, as so amended or supplemented, will not contain any untrue statement of a material fact or omit to state any material facts necessary in order to make the statements in the Prospectus, in the light of the circumstances under which they are made, not misleading. The preparation and furnishing of any such amendment or supplement to the Registration Statement or amended Prospectus or supplement to be attached to the Prospectus shall be without expense to the Underwriter, except that in case the Underwriter is required, in connection with the sale of the Securities to deliver a Prospectus nine months or more after the effective date of the Registration Statement, the Company will upon request of and at the expense of the Underwriter, amend or supplement the Registration Statement and Prospectus and furnish the Underwriter with reasonable quantities of prospectuses complying with Section 10(a)(3) of the Act.

The Company will comply with the Act, the Rules and Regulations and the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations thereunder in connection with the offering and issuance of the Shares and Warrants.

(b) The Company will furnish such information as may be required and to otherwise cooperate and use its best efforts to qualify to register the Shares and Warrants for sale under the securities or "blue sky" laws of such jurisdictions as the

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Underwriter may designate and will make such applications and furnish such information as may be required for that purpose and to comply with such laws, provided the Company shall not be required to qualify as a foreign corporation or a dealer in securities or to execute a general consent of service of process in any jurisdiction in any action other than one arising out of the offering or sale of the Securities. The Company will, from time to time, prepare and file such statements and reports as are or may be required to continue such qualification in effect for so long a period as the counsel to the Company and the Underwriter deem reasonably necessary.

(c) If the sale of the Securities provided for herein is not consummated as a result of the Company not performing its obligations hereunder in all material respects, the Company shall pay all costs and expenses incurred by it which are incident to the performance of the Company's obligations hereunder, including but not limited to, all of the accountable out of pocket expenses of the Underwriter up to \$100,000.00 (including the reasonable fees and expenses of counsel to the Underwriter).

(d) The Company will use its best efforts to (i) cause a registration statement under the Exchange Act to be declared effective concurrently with the completion of this offering and will notify you in writing immediately upon the

effectiveness of such registration statement, and (ii) obtain and keep current a listing in the Standard & Poors or Moody's OTC Industrial Manual.

(e) For so long as the Company is a reporting company under either Section 12(g) or 15(d) of the Exchange Act of 1934, the Company, at its expense, will furnish to its stockholders an annual report (including financial statements audited by independent public accountants), in reasonable detail and at its expense, will furnish to the Underwriter during the period ending five (5) years from the date hereof, (i) as soon as practicable after the end of each fiscal year, but no earlier than the filing of such information with the Commission a balance sheet of the Company and any of its subsidiaries as at the end of such fiscal year, together with statements of income, surplus and cash flow of the Company and any subsidiaries for such fiscal year, all in reasonable detail and accompanied by a copy of the certificate or report thereon of independent accountants; (ii) as soon as practicable after the end of each of the first three fiscal

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quarters of each fiscal year, but no earlier than the filing of such information with the Commission, consolidated summary financial information of the Company for such quarter in reasonable detail; (iii) as soon as they are publicly available, a copy of all reports (financial or other) mailed to security holders; (iv) as soon as they are available, a copy of all non-confidential reports and financial statements furnished to or filed with the Commission or any securities exchange or automated quotation system on which any class of securities of the Company is listed; and (v) such other information as you may from time to time reasonably request. Notwithstanding the above, reports provided by the Company to the Commission shall be deemed satisfactory for the foregoing purposes.

(f) So long as the Company has an active subsidiary or subsidiaries, such financial statements referred to in subsection (e) above will be on a consolidated basis to the extent the accounts of the Company and its subsidiary or subsidiaries are consolidated in reports furnished to its stockholders generally.

(g) The Company will deliver to the Underwriter at or before the First Closing Date two signed copies of the Registration Statement including all financial statements and exhibits filed therewith, and of all amendments thereto, and will deliver to the Underwriter such number of conformed copies of the Registration Statement, including such financial statements but without exhibits, and of all amendments thereto, as the Underwriter may reasonably request. The Company will deliver to or upon the Underwriter's order, from time to time until the effective date of the Registration Statement, as many copies of any Preliminary Prospectus filed with the Commission prior to the effective date of the Registration Statement as the Underwriter may reasonably request. The Company will deliver to the Underwriter on the effective date of the Registration Statement and thereafter for so long as a Prospectus is required to be delivered under the Act, from time to time, as many copies of the Prospectus, in final form, or as thereafter amended or supplemented, as the Underwriter may from time to time reasonably request.

(h) The Company will make generally available to its Common Stock holders and to the registered holders of its Warrants and deliver to the Underwriter as soon as it is practicable to do so but in no event later than 90 days after the end of twelve months after its current fiscal quarter, an earnings statement

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(which need not be audited) covering a period of at least twelve consecutive months beginning after the effective date of the Registration Statement, which shall satisfy the requirements of Section 11(a) of the Act.

(i) The Company will apply the net proceeds from the sale of the Securities substantially for the purposes set forth under "Use of Proceeds" in the Prospectus, and will file such reports with the Commission with respect to the sale of the Securities and the application of the proceeds therefrom as may be required pursuant to Rule 463 under the Act.

(j) The Company will promptly prepare and file with the Commission any amendments or supplements to the Registration Statement, Preliminary

Prospectus or Prospectus and take any other action, which in the opinion of counsel to the Underwriter and counsel to the Company, may be reasonably necessary or advisable in connection with the distribution of the Shares and Warrants, and will use its best efforts to cause the same to become effective as promptly as possible.

(k) The Company will reserve and keep available that maximum number of its authorized but unissued securities which are issuable upon exercise of the Underwriter's Option outstanding from time to time.

(l) (1) For a period of eighteen (18) months from the effective date of the Registration Statement, no shareholder prior to the offering will, directly or indirectly, publicly offer, sell (including any short sale), grant any option for the sale of, acquire any option to dispose of, or otherwise dispose of any shares of Common Stock without the prior written consent of the Underwriter, other than as set forth in the Registration Statement. In order to enforce this covenant, the Company shall impose stop-transfer instructions with respect to the shares owned by every shareholder prior to the offering until the end of such period (subject to any exceptions to such limitation on transferability set forth in the Registration Statement). If necessary to comply with any applicable Blue-sky Law, the shares held by such shareholders will be escrowed with counsel for the Company or otherwise as required.

(2) except for the issuance of shares of capital stock by

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the Company in connection with a dividend, recapitalization, reorganization or similar transactions or as result of the exercise of warrants or options disclosed in or issued or granted pursuant to plans disclosed in the Registration Statement, the Company shall not, for a period of eighteen (18) months following the effective date of the Registration Statement, directly or indirectly, offer, sell or issue any shares of its capital stock, or any security exchangeable or exercisable for, or convertible into, shares of the capital stock, without the prior written consent of the Underwriter.

(m) Upon completion of this offering, the Company will make all filings required, including registration under the Securities Exchange Act of 1934, to obtain the listing of the Shares and Warrants in the NASDAQ system, and will use its best efforts to effect and maintain such listing or a listing on a national securities exchange for at least five years from the date of this Agreement to the extent that the Company has at least 300 record holders of Common Stock.

(n) Except for the transactions contemplated by this Agreement or as otherwise permitted by law, the Company represents that it has not taken and agrees that it will not take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of the Shares or the Warrants or to facilitate the sale or resale of the Securities.

(o) On the First Closing Date and simultaneously with the delivery of the Shares and Warrants, the Company shall execute and deliver to you the Underwriter's Option. The Underwriter's Option will be substantially in the form filed as an Exhibit to the Registration Statement.

(p) Intentionally Omitted

(q) Prior to the First Closing Date, the Company will have in force key person life insurance on the life of Mr. Christopher C. Hansen and other management personnel in an amount of not less than \$1,000,000.00, payable to the Company, and will use its best efforts to maintain such insurance for a three year period.

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(r) So long as any Warrants are outstanding and the exercise price of the Warrants is less than the market price of the Common Stock, the Company shall use its best efforts to cause post-effective amendments to the Registration Statement to become effective in compliance with the Act and without any lapse of time between the effectiveness of any such post-effective amendments and cause a copy of each Prospectus, as then amended, to be delivered to each holder of record of a Warrant and to furnish to the Underwriter and each

dealer as many copies of each such Prospectus as such Underwriter or dealer may reasonably request. The Company shall not call for redemption any of the Warrants unless a registration statement covering the securities underlying the Warrants has been declared effective by the Commission and remains current at least until the date fixed for redemption.

(s) For a period of five (5) years from the Effective Date, the Company, at its expense, shall cause its regularly engaged independent certified public accountants to review (but not audit) the Company's financial statements for each of the first three (3) fiscal quarters prior to the announcement of quarterly financial information, the filing of the Company's 10-Q quarterly report and the mailing of quarterly financial information to stockholders, provided that the Company shall not be required to file a report of such accountants relating to such review with the Commission.

(t) Intentionally omitted.

(u) The Company agrees to pay to the Underwriter a finder's fee of 5.0% of the first \$3,000,000.00, 4.0% of the next \$3,000,000.00, 3.0% of the next \$2,000,000.00, 2% of next \$2,000,000.00 and 1% of the excess, if any, over \$10,000,000.00, of the aggregate consideration received by the Company with respect to any transaction (including, but not limited to, mergers, acquisitions, joint ventures, and any other capital business transaction for the Company) introduced to the Company by the Underwriter and consummated by the Company (an "Introduced Consummated Transaction") during the five (5) year period commencing on the effective date of the Registration Statement. The entire amount of any such finder's fee due and payable to Underwriter shall be paid in full by certified funds or cashier's check payable to the order of Underwriter or in cash, in each case in the discretion of the Company, at the first closing of the

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Introduced Consummated Transaction for which the finder's fee is due. For the purposes hereof, a party shall not be deemed to be introduced by the Underwriter unless and until (a) a written disclosure of the identity of such prospective party shall have been given by the Underwriter and received by the Company during the period; (b) such party was not previously known to the Company; and (c) such party shall have commenced substantive negotiations with the Company relating to a Introduced Consummated Transaction during such five (5) year period.

(v) The Company agrees to pay the Underwriter a warrant solicitation fee of 4.0% of the exercise price of any of the Warrants exercised beginning one (1) year after the Effective Date (not including warrants exercised by the Underwriter) if (a) the market price of the Company's Common Stock on the date the Warrant is exercised is greater than the exercise price of the Warrant, (b) the exercise of the Warrant was solicited by the Underwriter and the Underwriter is specifically designated in writing by the Warrantholder as having solicited the exercise of the Warrant, (c) the Warrant is not held in a discretionary account except where prior written specific approval has been obtained, (d) disclosure of the compensation arrangement is made upon the sale and exercise of the Warrants, (e) soliciting the exercise is not in violation of Rule 10b-6 under the Exchange Act, and (f) solicitation of the exercise is in compliance with the NASD Notice to Members 81-38 (September 22, 1981).

4. Conditions of Underwriters' Obligation. The obligations of the Underwriter to purchase and pay for the Shares and Warrants which it has agreed to purchase hereunder, are subject to the accuracy (as of the date hereof, and as of the First Closing Date) of and compliance with the representations and warranties of the Company herein, to the performance by the Company of its obligations hereunder, and to the following conditions:

(a) The Registration Statement shall have become effective and you shall have received notice thereof not later than 10:00 a.m., New York time, on the day following the date of this Agreement, or at such later time or on such later date as to which the Underwriter may agree in writing; on or prior to the First Closing Date no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that or a similar purpose shall have been instituted or shall

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be pending or, to the Underwriter's knowledge or to the knowledge of the Company shall be contemplated by the Commission; any request on the part of the Commission for additional information shall have been complied with to the satisfaction of the Commission; and no stop order shall be in effect denying or suspending effectiveness of such qualification nor shall any stop order proceedings with respect thereto be instituted or pending or threatened. If required, the Prospectus shall have been filed with the Commission in the manner and within the time period required by Rule 424(b) under the Act.

(b) At the First Closing Date, you shall have received the opinion, dated as of the First Closing Date, of the Law Offices of Morse, Zelnick, Rose & Lander, LLP, counsel for the Company, in form and substance satisfactory to counsel for the Underwriter, to the effect that:

(i) the Company and each of its Subsidiaries have been duly incorporated and are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation, with all requisite corporate power and authority to own its properties and conduct its business as described in the Registration Statement and Prospectus and is duly qualified or licensed to do business as a foreign corporation and is in good standing in each other jurisdiction in which the ownership or leasing of its properties or conduct of its business requires such qualification except where the failure to qualify or be licensed will not have a Material Adverse Effect;

(ii) the authorized capitalization of the Company as of September 30, 1996 is as set forth under "Capitalization" in the Prospectus; all shares of the Company's outstanding Common Stock requiring authorization for issuance by directors have been duly authorized and upon payment of consideration therefor, will be validly issued, fully paid and non-assessable and conform in all material respects to the description thereof contained in the Prospectus; to such counsel's knowledge the outstanding shares of Common Stock of the Company have not been issued in violation of the preemptive rights of any shareholder and the shareholders of the Company do not have any preemptive rights or other rights to subscribe for or to purchase, nor are there any restrictions upon the voting or transfer of, any of the Shares except as provided in the Prospectus; the Shares, the Warrants, the Underwriter's Option,

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and the Warrant Agreement conform in all material respects to the respective descriptions thereof contained in the Prospectus; the Shares and Warrants have been, and the shares of Common Stock to be issued upon exercise of the Warrants and the Underwriter's Option, upon issuance in accordance with the terms of such Warrants, the Warrant Agreement and Underwriter's Option will have been duly authorized and, when issued and delivered in accordance with their respective terms, will be duly and validly issued, fully paid, non-assessable, free of preemptive rights and no personal liability will attach to the ownership thereof; to the best of our knowledge all prior sales by the Company of the Company's securities have been made in compliance with or under an exemption from registration under the Act and applicable state securities laws; a sufficient number of shares of Common Stock has been reserved for issuance upon exercise of the Warrants and Underwriter's Option and to the best of such counsel's knowledge, neither the filing of the Registration Statement nor the offering or sale of the Securities as contemplated by this Agreement gives rise to any registration rights other than those which have been waived or satisfied for or relating to the registration of any shares of Common Stock or as otherwise being exercised in connection with the concurrent offering;

(iii) this Agreement, the Underwriter's Option, and the Warrant Agreement have been duly and validly authorized, executed, and delivered by the Company;

(iv) the certificates evidencing the shares of Common Stock comply with the Delaware General Corporation Law; the Warrants will be exercisable for shares of Common Stock in accordance with the terms of the Warrants and at the prices therein provided for;

(v) except as otherwise disclosed in the Registration Statement, such counsel knows of no pending or threatened legal or governmental proceedings to which the Company or any Subsidiary is a party which would materially adversely affect the business, property, financial condition, or operations of

the Company or any Subsidiary; or which question the validity of the Securities, this Agreement, the Warrant Agreement, or the Underwriter's Option, or of any action taken or to be taken by the Company pursuant to this Agreement, the Warrant Agreement, or the Underwriter's Option; to such counsel's knowledge there are no

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governmental proceedings or regulations required to be described or referred to in the Registration Statement which are not so described or referred to;

(vi) the execution and delivery of this Agreement, the Underwriter's Option, or the Warrant Agreement and the incurrence of the obligations herein and therein set forth and the consummation of the transactions herein or therein contemplated, will not result in a breach or violation of, or constitute a default under the certificate or articles of incorporation or by-laws of the Company or any Subsidiary, or to the best knowledge of counsel after due inquiry, in the performance or observance of any material obligations, agreement, covenant, or condition contained in any bond, debenture, note, or other evidence of indebtedness or in any material contract, indenture, mortgage, loan agreement, lease, joint venture, or other agreement or instrument to which the Company or any Subsidiary is a party or by which it or any of its properties is bound or in violation of any order, rule, regulation, writ, injunction, or decree of any government, governmental instrumentality, or court, domestic or foreign, the result of which would have a Material Adverse Effect;

(vii) the Registration Statement has become effective under the Act, and to the best of such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for that purpose have been instituted or are pending before, or threatened by, the Commission; the Registration Statement and the Prospectus (except for the financial statements and other financial data contained therein, or omitted therefrom, as to which such counsel need express no opinion) as of the Effective Date comply as to form in all material respects with the applicable requirements of the Act and the Rules and Regulations;

(viii) in the course of preparation of the Registration Statement and the Prospectus such counsel has participated in conferences with the President and Chief Executive Officer of the Company with respect to the Registration Statement and Prospectus and such discussions did not disclose to such counsel any information which gives such counsel reason to believe that the Registration Statement or any amendment thereto at the time it became effective contained any untrue statement of a material fact required to be stated therein or omitted to state any

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material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus or any supplement thereto contains any untrue statement of a material fact or omits to state a material fact necessary in order to make statements therein, in light of the circumstances under which they were made, not misleading (except, in the case of both the Registration Statement and any amendment thereto and the Prospectus and any supplement thereto, for the financial statements, notes thereto, and other financial information (including without limitation, the pro forma financial information) and schedules contained therein, as to which such counsel need express no opinion);

(ix) all descriptions in the Registration Statement and the Prospectus, and any amendment or supplement thereto, of contracts and other agreements to which the Company or any Subsidiary is a party are accurate and fairly present in all material respects the information required to be shown, and such counsel is familiar with all contracts and other agreements referred to in the Registration Statement and the Prospectus and any such amendment or supplement or filed as exhibits to the Registration Statement, and such counsel does not know of any contracts or agreements to which the Company or any Subsidiary is a party of a character required to be summarized or described therein or to be filed as exhibits thereto which are not so summarized, described, or filed;

(x) no authorization, approval, consent, or license of any governmental or regulatory authority or agency is necessary in connection with

the authorization, issuance, transfer, sale, or delivery of the Shares or the Warrants by the Company, in connection with the execution, delivery, and performance of this Agreement by the Company or in connection with the taking of any action contemplated herein, or the issuance of the Underwriter's Option or the Securities underlying the Underwriter's Option, other than registrations or qualifications of the Shares or Warrants under applicable state or foreign securities or Blue Sky laws and registration under the Act; and

(xi) the Shares and Warrants have been duly authorized for quotation on the National Association of Securities Dealers Automated Quotation System ("NASDAQ").

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Such opinions shall also cover such matters incident to the transactions contemplated hereby as the Underwriter or counsel for the Underwriter shall reasonably request. In rendering such opinion, such counsel may rely upon certificates of any officer of the Company or public officials as to matters of fact; and may rely as to all matters of law other than the laws of the United States or of the States of Delaware and New York upon opinions of counsel satisfactory to the Underwriter, in which case the opinion shall state that they have no reason to believe that the Underwriter and they are not entitled to so rely.

Such opinions shall be governed by, and shall be interpreted in accordance with, the Legal Opinion Accord (the "Accord") of the ABA Section of Business Law (1991) and shall be subject to the qualifications, exceptions, definitions, limitations on coverage and other limitations set forth therein and in such opinions. Qualifications in such opinions as to knowledge or the absence of knowledge shall be based upon and limited to the "Actual Knowledge" (as defined in the Accord) of the "Primary Lawyer Group" (as defined in such opinions). In rendering such opinions, such legal counsel shall be entitled to rely upon Public Authority Documents and upon information provided by client officials in written Certificates provided that copies of such Public Authority Documents and Certificates are attached as exhibits to the written opinion of legal counsel. The term "Public Authority Documents" shall have the meaning ascribed to it in the Accord.

(b) At the First Closing Date, you shall have received the opinion of \_\_\_\_\_, special patent and trademark counsel, in form and substance satisfactory to you, identifying any patent and trademark searches conducted with respect to the Company's patents and trademarks and patent and trademark applications and providing that the description in the Registration Statement with respect to the status of such patent and trademark applications is accurate, that the Company owns the entire right, title and interest in and to such patents and trademarks and patent and trademark applications as described in the Prospectus and has not received any notice of conflict with the asserted rights of others in respect thereof and that the statements on the Prospectus under the captions "Prospectus Summary-The Company", "Risk Factors-Dependence on Patents and Proprietary Rights" and "Business-Patent Applications" are true and correct.

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(c) All corporate proceedings and other legal matters relating to this Agreement, the Registration Statement, the Prospectus and other related matters shall be satisfactory to or approved by Bernstein & Wasserman, LLP, counsel to the Underwriter.

(d) The Underwriter shall have received a letter prior to the effective date of the Registration Statement and again on and as of the First Closing Date from KPMG Peat Marwick, LLP, independent public accountants for the Company, substantially in the form reasonably acceptable to the Underwriter.

(e) At the First Closing Date, (i) the representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects with the same effect as if made on and as of the First Closing Date and the Company shall have performed all of its obligations hereunder and satisfied all the conditions on its part to be satisfied at or prior to such First Closing Date; (ii) the Registration Statement and the Prospectus and any amendments or supplements thereto shall contain all statements which are required to be stated therein in accordance with the Act and the Rules and Regulations, and shall in all material respects conform to the requirements

thereof, and neither the Registration Statement nor the Prospectus nor any amendment or supplement thereto shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; (iii) there shall have been, since the respective dates as of which information is given, no Material Adverse Effect, or to the Company's knowledge, any development involving a prospective Material Adverse Effect from that set forth in the Registration Statement and the Prospectus, except changes which the Registration Statement and Prospectus indicate might occur after the effective date of the Registration Statement, and the Company and the Subsidiaries shall not have incurred any material liabilities or entered into any material agreement not in the ordinary course of business other than as referred to in the Registration Statement and Prospectus; (iv) except as set forth in the Prospectus, no action, suit, or proceeding at law or in equity shall be pending or threatened against the Company or any Subsidiaries which would be required to be set forth in the Registration Statement, and no proceedings shall be pending or threatened against the Company or any Subsidiary before or by any commission, board, or administrative agency in the United States or elsewhere, wherein an

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unfavorable decision, ruling, or finding would have a Material Adverse Effect, (v) the Underwriter shall have received, at the First Closing Date, a certificate signed by the President and the Chief Executive Officer of the Company, dated as of the First Closing Date, evidencing compliance with the provisions of this subsection (e) and (vi) the Underwriter shall have received, at the First Closing Date, such opinions, certificates, letters and other documents as it reasonably requests.

(f) Intentionally Omitted.

(g) Intentionally Omitted.

(h) No action shall have been taken by the Commission or the NASD the effect of which would make it improper, at any time prior to the First Closing Date, for members of the NASD to execute transactions (as principal or agent) in the Shares, Common Stock, or the Warrants and no proceedings for the taking of such action shall have been instituted or shall be pending, or, to the knowledge of the Underwriter or the Company, shall be contemplated by the Commission or the NASD. The Company represents that at the date hereof it has no knowledge that any such action is in fact contemplated by the Commission or the NASD.

(i) If any of the conditions herein provided for in this Section shall not have been fulfilled in all material respects as of the date indicated, this Agreement and all obligations of the Underwriter under this Agreement may be cancelled at, or at any time prior to, the First Closing Date by the Underwriter notifying the Company of such cancellation in writing or by telegram at or prior to the First Closing Date. Any such cancellation shall be without liability of the Underwriter to the Company.

5. Conditions of the Obligations of the Company. The obligation of the Company and to sell and deliver the Securities is subject to the following conditions:

(a) The Registration Statement shall have become effective not later than 10:00 a.m. New York time, on the day following the date of this Agreement, or on such later date as the Company and the Underwriter may agree in writing.

(b) At the First Closing Date, no stop orders suspending

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the effectiveness of the Registration Statement shall have been issued under the Act or any proceedings therefor initiated or threatened by the Commission.

6. Indemnification.

(a) The Company agrees (i) to indemnify and hold harmless the Underwriter and each person, if any, who controls the Underwriter within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, against any losses, claims, damages, or liabilities, joint or several (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees), to which

such Underwriter or such controlling person may become subject, under the Act or otherwise, and (ii) to reimburse, as incurred, the Underwriter and such controlling persons for any legal or other expenses reasonably incurred in connection with investigating, defending against or appearing as a third party witness in connection with any losses, claims, damages, or liabilities; insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) relating to (i) and (ii) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in (A) the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto, (B) any blue sky application or other document executed by the Company specifically for that purpose containing written information specifically furnished by the Company and filed in any state or other jurisdiction in order to qualify any or all of the Securities under the securities laws thereof (any such application, document or information being hereinafter called a "Blue Sky Application"), or arise out of or are based upon the omission or alleged omission to state in the Registration Statement, any Preliminary Prospectus, Prospectus, or any amendment or supplement thereto, or in any Blue Sky Application, a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the Company will not be required to indemnify the Underwriter and any controlling person or be liable in any such case to the extent, but only to the extent, that any such loss, claim, damage, or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the

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Underwriter specifically for use in the preparation of the Registration Statement or any such amendment or supplement thereof or any such Blue Sky Application or any such Preliminary Prospectus or the Prospectus or any such amendment or supplement thereto; provided, further that the indemnity with respect to any Preliminary Prospectus shall not be applicable on account of any losses, claims, damages, liabilities, or litigation arising from the sale of Securities to any person if a copy of the Prospectus was not delivered to such person at or prior to the written confirmation of the sale to such person. This indemnity will be in addition to any liability which the Company may otherwise have.

(b) The Underwriter will indemnify and hold harmless the Company, each of its directors, each nominee (if any) for director named in the Prospectus, each of its officers who have signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Act against any losses, claims, damages, or liabilities joint or several (which shall, for all purposes of this Agreement, include, but not be limited to, all costs of defense and investigation and reasonable attorneys' fees) to which the Company or any such director, nominee, officer, or controlling person may become subject under the Act or otherwise, and to reimburse, as incurred, the Company and the other indemnified parties under this Section 6(b) for any legal or other expenses reasonably incurred in connection with investigating, defending against, or appearing as a third party witness in connection with any losses, claims, damages or liabilities insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto, and Blue Sky Application executed by the Underwriter for that purpose containing written information specifically furnished by the Underwriter and filed in any state or other jurisdiction in order to qualify any or all of the Securities under the securities laws thereof, or arise out of or are based upon the omission or the alleged omission to state in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or in any Blue Sky Application, a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or

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omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto, or any Blue Sky Application in reliance upon and in conformity with written information furnished to the Company by the Underwriter specifically for use in the preparation thereof and for any violation by the Underwriter

in the sale of such Securities of any applicable state or federal law or any rule, regulation or instruction thereunder relating to violations based on unauthorized statements by Underwriter or its representatives, provided that such violation is not based upon any violation of such law, rule, or regulation or instruction by the party claiming indemnification or inaccurate or misleading information furnished by the Company or its representatives, including information furnished to the Underwriter as contemplated herein. This indemnity agreement will be in addition to any liability which the Underwriter may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section, notify in writing the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Section. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, subject to the provisions herein stated, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. The indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the indemnifying party if the indemnifying party has assumed the defense of the action with counsel reasonably satisfactory to the indemnified party; provided

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that the reasonable fees and expenses of such counsel shall be at the expense of the indemnifying party if (i) the employment of such counsel has been specifically authorized in writing by the indemnifying party or (ii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party and in the reasonable judgment of the counsel to the indemnified party, it is advisable for the indemnified party to be represented by separate counsel (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of such indemnified party, it being understood, however, that the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the indemnified party, which firm shall be designated in writing by the indemnified party). No settlement of any action against an indemnified party shall be made without the consent of the indemnified party, which shall not be unreasonably withheld in light of all factors of importance to such indemnified party. If it is ultimately determined that indemnification is not permitted, then an indemnified party will return all monies advanced to the indemnifying party.

7. Contribution. In order to provide for just and equitable contribution under the Act in any case in which the indemnification provided in Section 6 hereof is requested but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that the express provisions of Section 6 provide for indemnification in such case, then the Company and the Underwriter, shall contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees) (after contribution from others) in such proportions that (i) the Underwriter is responsible in the aggregate for that portion of such losses, claims, damages, or liabilities represented by the percentage that the underwriting discount per Security appearing on the cover page of the Prospectus bears to the public offering price appearing thereon, (ii) the Company shall be responsible for the

remaining portion, provided, however, that if such allocation is not permitted by applicable law, then such losses, claims, damages or liabilities shall be allocated in such proportion as is appropriate to reflect relative benefits but also the relative fault of the Company, and the Underwriter, in the aggregate, in connection with the statements or omissions which resulted in such damages and other relevant equitable considerations shall also be considered. The relative fault shall be determined by reference to, among other things, whether in the case of an untrue statement of a material fact or the omission to state a material fact, such statement or omission relates to information supplied by the Company, or the Underwriter and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such untrue statement or omission. The Company, and the Underwriter agree that it would not be just and equitable if the respective obligations of the Company, and the Underwriter to contribute pursuant to this Section 7 were to be determined by pro rata or per capita allocation of the aggregate damages or by any other method of allocation that does not take account of the equitable considerations referred to in this Section 7. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. If the full amount of the contribution specified in this paragraph is not permitted by law, then the Underwriter and each person who controls the Underwriter, and the Company, its officers, directors, and controlling persons shall be entitled to contribution from one another to the full extent permitted by law. The foregoing contribution agreement shall in no way affect the contribution liabilities of any persons having liability under Section 11 of the Act other than the Company and the Underwriter. No contribution shall be requested with regard to the settlement of any matter from any party who did not consent to the settlement; provided, however, that such consent shall not be unreasonably withheld in light of all factors of importance to such party.

#### 8. Costs and Expenses.

(a) Whether or not this Agreement becomes effective or the sale of the Shares and Warrants to the Underwriter is consummated, the Company will pay all costs and expenses incident to the performance of this Agreement by the Company including, but not limited to, the fees and expenses of counsel to the Company and

of the Company's accountants; the costs and expenses incident to the preparation, printing, filing, and distribution under the Act of the Registration Statement (including the financial statements therein and all amendments and exhibits thereto), Preliminary Prospectus, and the Prospectus, as amended or supplemented, the fee of the NASD in connection with the filing required by the NASD relating to the offering of the Securities contemplated hereby; all expenses, including reasonable fees not to exceed \$50,000 (which does not include blue sky filing fees) and disbursements of counsel to the Underwriter, in connection with the qualification of the Securities under the state securities or blue sky laws which the Underwriter shall designate; the cost of printing and furnishing to the Underwriter copies of the Registration Statement, each Preliminary Prospectus, the Prospectus, this Agreement, and the Blue Sky Memorandum, any fees relating to the listing of the Shares, Common Stock, and Warrants on NASDAQ or any other securities exchange; the cost of printing the certificates representing the securities comprising the Securities; fees for bound volumes and prospectus memorabilia; and the fees of the transfer agent and warrant agent. The Company shall pay any and all taxes (including any transfer, franchise, capital stock, or other tax imposed by any jurisdiction) on sales to the Underwriter hereunder. The Company will also pay all costs and expenses incident to the furnishing of any amended Prospectus or of any supplement to be attached to the Prospectus as called for in Section 3(a) of this Agreement except as otherwise set forth in said Section.

(b) In addition to the foregoing expenses the Company shall at the First Closing Date pay to the Underwriter a non-accountable expense allowance of \$181,125, representing the non-accountable expense allowance attributed to Securities. In the event the transactions contemplated hereby are not consummated by reason of any action by the Underwriter (except if such prevention is based upon a breach by the Company of any covenant, representation, or warranty contained herein or because any other condition to

the Underwriter's obligations hereunder required to be fulfilled by the Company is not fulfilled) the Company shall not be liable for any expenses of the Underwriter, including the Underwriter's legal fees. In the event the transactions contemplated hereby are not consummated by reason of the Company being unable to perform its obligations hereunder in all material respects, the Company shall be liable for the actual accountable

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out-of-pocket expenses of the Underwriter, including reasonable legal fees, not to exceed in the aggregate \$100,000.00.

(c) Except as disclosed in the Registration Statement, no person is entitled either directly or indirectly to compensation from the Company, from the Underwriter or from any other person for services as a finder in connection with the proposed offering, and the Company and the Underwriter each agree to indemnify and hold harmless the other, against any losses, claims, damages, or liabilities, joint or several (which shall, for all purposes of this Agreement, include, but not be limited to, all costs of defense and investigation and all reasonable attorneys' fees), to which the Underwriter or person may become subject insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon the claim of any person (other than an employee of the party claiming indemnity) or entity that he or it is entitled to a finder's fee in connection with the proposed offering by reason of such person's or entity's influence or prior contact with the indemnifying party.

9. **Effective Date.** The Agreement shall become effective upon its execution except that the Underwriter may, at its option, delay its effectiveness until 11:00 a.m., New York time on the first full business day following the effective date of the Registration Statement, or at such earlier time on such business day after the effective date of the Registration Statement as the Underwriter in its discretion shall first commence the initial public offering of the Securities. The time of the initial public offering shall mean the time of release by the Underwriter of the first newspaper advertisement with respect to the Securities or the time when the Securities are first generally offered by the Underwriter to dealers by letter or telegram, whichever shall first occur. This Agreement may be terminated by the Underwriter at any time before it becomes effective as provided above, except that Sections 3(c), 6, 7, 8, 12, 13, 14, and 15 shall remain in effect notwithstanding such termination.

#### 10. Termination.

(a) After this Agreement becomes effective, this Agreement, except for Sections 3(c), 6, 7, 8, 12, 13, 14, and 15 hereof, may be terminated at any time prior to the First Closing Date, by the Underwriter if in the Underwriter's judgment it is

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impracticable to offer for sale or to enforce contracts made by the Underwriter for the resale of the Securities agreed to be purchased hereunder by reason of (i) the Company having sustained a material loss, whether or not insured, by reason of fire, earthquake, flood, accident, or other calamity, or from any labor dispute or court or government action, order, or decree, which has caused a Material Adverse Effect, (ii) trading in securities on the New York Stock Exchange or the American Stock Exchange having been suspended or limited, (iii) material governmental restrictions having been imposed on trading in securities generally (not in force and effect on the date hereof), (iv) a banking moratorium having been declared by federal or New York state authorities, (v) an outbreak of major international hostilities involving the United States or other substantial national or international calamity having occurred, (vi) a pending or threatened legal or governmental proceeding or action relating generally to the Company's or any of the Subsidiaries' business, or a notification having been received by the Company or any Subsidiary, of the threat of any such proceeding or action, which would have a Material Adverse Effect; (vii) except as contemplated by the Prospectus, the Company is merged with or consolidated into or acquired by another company or group or there exists a binding legal commitment for the foregoing or any other material change of ownership or control occurs; (viii) the passage by the Congress of the United States or by any state legislative body of similar impact, of any act or measure, or the adoption of any orders, rules or regulations by any governmental body or any authoritative accounting



institute or board, or any governmental executive, which is reasonably believed likely by the Underwriter to have a material adverse impact on the business, financial condition, or financial statements of the Company and its Subsidiaries taken as a whole, (ix) any material adverse change in the financial or securities markets beyond normal market fluctuations having occurred since the date of this Agreement, or (x) any Material Adverse Effect having occurred, since the respective dates of which information is given in the Registration Statement and Prospectus.

(b) If the Underwriter elects to prevent this Agreement from becoming effective or to terminate this Agreement as provided in this Section 10, the Company shall be promptly notified by the Underwriter, by telephone or telegram, confirmed by letter.

11. Underwriter's Option. At or before the First Closing

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Date, the Company will sell the Underwriter or its designees for a consideration of \$115.00, and upon the terms and conditions set forth in the form of Underwriter's Option annexed as an exhibit to the Registration Statement, a Underwriter's Option to purchase an aggregate of 115,000 Shares and 115,000 Warrants. In the event of conflict in the terms of this Agreement and the Underwriter's Option with respect to language relating to the Underwriter's Option, the language of the Underwriter's Option shall control.

12. Representations and Warranties of the Underwriter. The Underwriter represents and warrants to the Company that it is registered as a broker-dealer in all jurisdictions in which it is offering the Securities and that it will comply with all applicable state or federal laws relating to the sale of the Securities, including but not limited to, violations based on unauthorized statements by the Underwriter or its representatives.

13. Representations, Warranties and Agreements to Survive Delivery. The respective indemnities, agreements, representations, warranties, and other statements of the Company and the Underwriter and the undertakings set forth in or made pursuant to this Agreement will remain in full force and effect until three years from the date of this Agreement, regardless of any investigation made by or on behalf of the Underwriter, the Company, or any of its officers or directors or any controlling person and will survive delivery of and payment of the Securities and the termination of this Agreement.

14. Notice. Any communications specifically required hereunder to be in writing, if sent to the Underwriter, will be mailed, delivered, or telecopied and confirmed to them at Biltmore Securities, Inc., 6700 N. Andrews Avenue, Fort Lauderdale, Florida 33309, with a copy sent to Bernstein & Wasserman, LLP, 950 Third Avenue, New York, NY 10022, Attention: Hartley T. Bernstein, Esq., or if sent to the Company, will be mailed, delivered, or telecopied and confirmed to it at PC411, 9800 La Cienega Boulevard Suite 411, Englewood, CA 90301, Attn: Christopher C. Hansen with a copy sent to Morse, Zelnick, Rose & Lander LLP, New York, New York 10022-2605, Attention: Howard L. Morse, Esq. Notice shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication.

15. Parties in Interest. The Agreement herein set forth is

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made solely for the benefit of the Underwriter, the Company, any person controlling the Company or the Underwriter, and directors of the Company, nominees for directors (if any) named in the Prospectus, its officers who have signed the Registration Statement, and their respective executors, administrators, successors, assigns and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include any purchaser, as such purchaser, from the Underwriter of the Securities.

16. Applicable Law. This Agreement will be governed by, and construed in accordance with, of the laws of the State of New York applicable to agreements made and to be entirely performed within New York.

17. Counterparts. This agreement may be executed in one or more

counterparts each of which shall be deemed to constitute an original and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties (including by fax, followed by original copies by overnight mail).

18. Entire Agreement; Amendments. This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior written or oral agreements, understandings, and negotiations with respect to the subject matter hereof. This Agreement may not be amended except in writing, signed by the Underwriter and the Company.

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If the foregoing is in accordance with your understanding of our agreement, kindly sign and return this agreement, whereupon it will become a binding agreement between the Company and the Underwriter in accordance with its terms.

Very truly yours,

PC411, INC.

By: \_\_\_\_\_  
Name:  
Title:

The undersigned is executing this Agreement solely to be bound by the provisions of Section 6 hereof.

Morse, Zelnick, Rose & Lander, LLP

By: \_\_\_\_\_  
Howard L. Morse, Principal

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The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

BILTMORE SECURITIES, INC.

By: \_\_\_\_\_  
Name:  
Title:

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AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

PC411, INC.

(PURSUANT TO SECTIONS 242 AND 245 OF  
THE DELAWARE GENERAL CORPORATION LAW)

PC411, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), does hereby certify as follows:

1. The name of the Corporation is PC411, Inc. The original Certificate of Incorporation was originally filed with the Secretary of State on December 29, 1993. A Certificate of Amendment of the Certificate of Incorporation of the Corporation was filed on April 10, 1995 and a Restated Certificate of Incorporation of the Corporation was filed on May 10, 1995.

2. This Amended and Restated Certificate of Incorporation further amends, restates and integrates the Certificate of Incorporation of the Corporation, as heretofore amended. This Amended and Restated Certificate of Incorporation was proposed by the Board of Directors and duly adopted by the stockholders of the Corporation in the manner and by the vote prescribed by Section 228, 242 and 245 of the General Corporation Law of the State of Delaware. The text of the Certificate of Incorporation, as so amended and restated is as follows:

FIRST: The name of the corporation is PC411, Inc.

SECOND: The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted is:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

To manufacture, purchase or otherwise acquire, invest in, own, mortgage, pledge, sell, assign and transfer or otherwise dispose of, trade, deal in and deal with goods, wares and merchandise and personal property of every class and description.

To acquire, and pay for in cash, stock or bonds of this Corporation or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trademarks and trade names, relating to or useful in connection with any business of this Corporation.

To acquire by purchase, subscription or otherwise, and to receive, hold, own, guarantee, sell, assign, exchange, transfer, mortgage, pledge or otherwise dispose of or deal in and with any of the shares of the capital stock, or any voting trust certificates in respect of the shares of capital stock, scrip, warrants, rights, bonds, debentures, notes, trust receipts, and other securities, obligations, chooses in action and evidences of indebtedness or interest issued or created by any corporations, joint stock companies, syndicates, associations, firms, trusts or persons, public or private, or by the government of the United States of America, or by any

foreign government, or by any state, territory, province, municipality or other political subdivision or by any governmental agency, and as owner thereof to possess and exercise all the rights, powers and privileges of ownership, including the right to execute consents to vote thereon, and to do any and all acts and things necessary or advisable for the preservation, protection, improvement and enhancement in value thereof.

To borrow or raise money for any of the purposes of the Corporation and, from time to time without limit as to amount, draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the Corporation, whether at the time owned or thereafter acquired, and to sell, pledge or otherwise dispose of such bonds or other obligations of the Corporation for its corporate purposes.

To purchase, receive, take by grant, gift, devise, bequest or otherwise, lease, or otherwise acquire, own, hold, improve, employ, use and otherwise deal in and with real or personal property, or any interest therein, wherever situated, and to sell, convey, lease, exchange, transfer or otherwise dispose of, or mortgage or pledge, all or any of the Corporation's property and assets, or any interest therein, wherever situated.

In general, to possess and exercise all the powers and privileges granted by the General Corporation Law of Delaware or by any other law of Delaware or by this Certificate of Incorporation together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business or purposes of the Corporation.

The business and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from the

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terms of any other clause in this Certificate of Incorporation, but the business and purposes specified in each of the foregoing clauses of this article shall be regarded as independent business and purposes.

FOURTH: (a) AUTHORIZED SHARES. The aggregate number of shares which the Corporation shall have authority to issue is 30,000,000, of which 25,000,000 shall be shares of Common Stock, par value \$.01 per share (the "Common Stock") and 5,000,000 shall be shares of Preferred Stock, par value \$.01 per share (the "Preferred Stock"). The Preferred Stock may be issued, from time to time, in one or more series with such designations, preferences and relative participating options or other special rights and qualifications, limitations or restrictions thereof, as shall be stated in the resolutions adopted by the Board of Directors providing for the issuance of such Preferred Stock or series thereof; and the Board of Directors is hereby expressly vested with authority to fix such designations, preferences and relative participating options or other special rights or qualifications, limitations or restrictions for each series, including, but not by way of limitation, the power to affix the redemption and liquidation preferences, the rate of dividends payable and the time for and the priority of payment thereof and to determine whether such dividends shall be cumulative or not and to provide for and affix the terms of conversion of such Preferred Stock or any series thereof into Common Stock of the Corporation and fix the voting power, if any, of Preferred Stock or any series thereof.

No holder of any of the shares of the stock of the Corporation, whether now or hereafter authorized and issued, shall be entitled as of right to purchase or subscribe for (1) any unissued stock of any class, or (2) any additional shares of any class to be issued by reason of any increase of the authorized capital stock of the Corporation of any class, or (3) bonds, certificates of indebtedness, debentures or other securities convertible into stock of the Corporation, or carrying any right to purchase stock of any class, but any such unissued stock or such additional authorized issue of any stock or of other securities convertible into stock, or carrying any right to purchase stock, may be issued and disposed of pursuant to resolution of the Board of Directors to such persons, firms, corporations or associations and

upon such terms as may be deemed advisable by the Board of Directors in the exercise of its discretion.

(b) CHANGE IN CONVERSION RATIO OF PREFERRED STOCK. Each share of Preferred Stock, par value \$.01 per share of the Corporation outstanding as of the close of business on the day prior to the date of the filing of this Amended and Restated Certificate of Incorporation shall be reclassified on a basis of 4.7395 shares of Common Stock, par value \$.01 per share (prior to giving effect to the stock split described in paragraph (c) of this Article Fourth), for each share of Preferred Stock outstanding and, accordingly, each share of Preferred Stock outstanding as of the close of business on the day prior to the date of such filing, shall, without any further action by the Corporation or any holder of Preferred Stock, be deemed to represent 4.7395 shares of Common Stock, par value \$.01 per share (prior to giving effect to the stock split described in paragraph (c) of this Article Fourth). Any shares of Preferred Stock issued and outstanding as of such date shall be immediately canceled.

(c) STOCK SPLIT. Effective upon the filing of this Amended and Restated Certificate of Incorporation with the Secretary of State, each share of Common Stock, par value

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\$.01 per share, of the Corporation outstanding as of the close of business on the day prior to the date of such filing (after taking into account the conversion of the issued and outstanding shares of Preferred Stock into shares of Common Stock as set forth in paragraph (b) of this Article Fourth) shall be reclassified on a basis of \_\_\_\_\_ shares of Common Stock for each share of Common Stock outstanding and, accordingly, each share of Common Stock, par value \$.01 per share, of the Corporation outstanding as of the close of business on the day prior to the date of such filing, each having a par value of \$.01 per share, shall, without further action by the Corporation or any stockholder, be deemed to represent \_\_\_\_\_ shares of Common Stock, par value \$.01 per share.

FIFTH: The Corporation is to have perpetual existence.

SIXTH: For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and of its stockholders or any class thereof, as the case may be, it is further provided:

(a) The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed by, or in the manner provided in, the By-Laws. The phrase "whole Board" and the phrase "total number of directors" shall be deemed to have the same meaning, to wit, the total number of directors which the Corporation would have if there were no vacancies. No election of directors need be by written ballot.

(b) After the original or other By-Laws of the Corporation have been adopted, amended, or repealed, as the case may be, in accordance with the provisions of Section 109 of the General Corporation Law of the State of Delaware, and after the Corporation has received any payment for any of its stock, the power to adopt, amend, or repeal the By-Laws of the Corporation may be exercised by the Board of Directors of the Corporation; provided, however, that any provision for the classification of directors of the Corporation for staggered terms pursuant to the provisions of subsection (d) of Section 141 of the General Corporation Law of the State of Delaware shall be set forth in an initial By-Law or in a By-Law adopted by the stockholders entitled to vote of the Corporation unless provisions for such classification shall be set forth in this certificate of incorporation.

(c) Whenever the Corporation shall be authorized to issue only one class of stock each outstanding share shall entitle the holder thereof to notice of, and the right to vote at, any meeting of stockholders. Whenever the Corporation shall be authorized to issue more than one class of stock no outstanding share of any class of stock which is denied voting power under the provisions of the certificate of incorporation shall entitle the holder thereof to the right to vote at any meeting of stockholders except as the

provisions of paragraph (c)(2) of Section 242 of the General Corporation Law of the State of Delaware shall otherwise require; provided, that no share of any such class which is otherwise denied voting power shall entitle the holder thereof to vote upon the increase or decrease in the number of authorized shares of said class.

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SEVENTH: Elections of directors need not be by written ballot unless the By-Laws of the Corporation shall so provide.

Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the By-Laws of the Corporation.

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholder or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

EIGHTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

NINTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

TENTH: (a) RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust

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or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the

Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators: provided, however, that, except as provided in paragraph (b) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition: provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer (in his or her capacity as a director or officer and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

(b) RIGHT OF CLAIMANT TO BRING SUIT. If a claim under paragraph (a) of this Section is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not

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met such applicable standard or conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) NON-EXCLUSIVITY OF RIGHTS. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Law, agreement, vote of stockholders or disinterested directors or otherwise.

(d) INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be executed on its behalf this \_\_\_\_ day of \_\_\_\_\_ 1997.

PC411, Inc.

By: \_\_\_\_\_  
Dean A. Eaker  
President

Attest:

By: \_\_\_\_\_  
Robert Lundgren  
Secretary



BY-LAWS OF

PC411, INC.  
(A Delaware Corporation)

ARTICLE I  
STOCKHOLDERS

1. CERTIFICATES REPRESENTING STOCK.

Every holder of stock in the corporation shall be entitled to have a certificate signed by, or in the name of, the corporation by the Chairman or Vice-Chairman of the Board of Directors, if any, or by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the corporation certifying the number of shares owned by him in the corporation. Any and all signatures on any such certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Whenever the corporation shall be authorized to issue more than one class of stock or more than one series of any class of stock, and whenever the corporation shall issue any shares of its stock as partly paid stock, the certificates representing shares of any such class or series or of any such partly paid stock shall set forth thereon the statements prescribed by the General Corporation Law. Any restrictions on the transfer or registration of transfer of any shares of stock of any class or series shall be noted conspicuously on the certificate representing such shares.

The corporation may issue a new certificate of stock in place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Board of Directors may require the owner of any lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify the corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

2. FRACTIONAL SHARE INTEREST.

The corporation may, but shall not be required to, issue fractions of a share. If the corporation does not issue fractions of a share, it shall (i) arrange for the disposition of fractional interests by those entitled thereto, (ii) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (iii) issue scrip or warrants in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip or warrants aggregating a full share. A certificate for a fractional share shall, but scrip or warrants shall not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the corporation in the event of liquidation. The Board of Directors may cause scrip or warrants to be issued subject to the conditions that they shall become void if not exchanged for certificates representing full shares before a specified date, or subject to the conditions that the shares for which scrip or warrants are

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exchangeable may be sold by the corporation and the proceeds thereof distributed to the holders of scrip or warrants, or subject to any other conditions which the Board of Directors may impose.

3. STOCK TRANSFERS.

Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registration of transfers of

shares of stock of the corporation shall be made only on the stock ledger of the corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation or with a transfer agent or a registrar, if any, and on surrender of the certificate or certificates for such shares of stock properly endorsed and the payment of all taxes due thereon.

#### 4. RECORD DATE FOR STOCKHOLDERS.

For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed and the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders shall apply to any adjournment of the meeting, provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

#### 5. MEANING OF CERTAIN TERMS,

As used herein in respect of the right to notice of a meeting of stockholders or a waiver thereof or to participate or vote thereat or to consent or dissent in writing in lieu of a meeting, as the case may be, the term "share" or "shares" or "share of stock" or "shares of stock" or "stockholder" or "stockholders" refers to an outstanding share or shares of stock and to a holder or holders of record of outstanding shares of stock when the corporation is authorized to issue only one class of shares of stock, and said reference is also intended to include any outstanding share or shares of stock and any holder or holders of record of outstanding shares of stock of any class upon which or upon whom the certificate of incorporation confers such rights where there are two or more classes or series of shares of stock or upon which or upon whom the General Corporation Law confers such rights notwithstanding that the certificate of incorporation may provide for more than one class or series of shares of stock, one or more of which are limited or denied such rights thereunder, provided, however, that no such right shall vest in the event of an increase or a decrease in the authorized number of shares of stock of any class or series which is otherwise denied voting rights under the provisions of the certificate of incorporation, except as any provision of law may otherwise require.

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#### 6. STOCKHOLDER MEETINGS.

-TIME-. The annual meeting shall be held on the date and at the time fixed, from time to time by the directors provided that the first annual meeting shall be held on a date within 13 months after the organization of the corporation and each successive annual meeting shall be held on a date within 13 months after the date of the preceding annual meeting. A special meeting shall be held on the date and at the time fixed by the directors.

-PLACE. Annual meetings and special meetings shall be held at such place, within or without the State of Delaware as the directors may from time to time, fix. Whenever the directors shall fail to fix such place, the meeting shall be held at the registered office of the corporation in the State of Delaware.

-CALL. Annual meetings and special meetings may be called by the directors or by any officer instructed by the directors to call the meeting.

-NOTICE OR WAIVER OF NOTICE. Written notice of all meetings shall be given stating the place, date and hour of the meeting and stating the place within the city or other municipality or community at which the list of stockholders of the corporation may be examined. The notice of an annual meeting shall state that the meeting is called for the election of directors and for the transaction of other business which may properly come before the meeting and shall (if any other action which could be taken at a special meeting is to be taken at such annual meeting) state the purpose or purposes. The notice of a special meeting shall in all instances state the purpose or purposes for which the meeting is called. The notice of any meeting shall also include or be accompanied by any additional information statement or documents prescribed by the General Corporation Law. Except as otherwise provided by the General Corporation Law, a copy of the notice of any meeting shall be given personally or by mail, not less than 10 days nor more than 60 days before the date of the meeting unless the lapse of the prescribed period of time shall have been waived, and directed to each stockholder at his record address or at such other address which he may have furnished by request in writing to the Secretary of the corporation. Notice by mail shall be deemed to be given when deposited, with postage thereon prepaid in the United States mail. If a meeting is adjourned to another time, not more than 30 days hence, and/or to another place and if an announcement of the adjourned time and/or place is made at the meeting it shall not be necessary to give notice of the adjourned meeting unless the directors after adjournment fix a new record date for the adjourned meeting. Notice need not be given to any stockholder who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of a stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting except when the stockholder attends the meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice.

-STOCKHOLDER LIST. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting either at a place within the city or other municipality or community where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this section or the books of the corporation, or to vote at any meeting of stockholders.

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-CONDUCT OF MEETING. Meetings of the stockholders shall be presided over by one of the following officers in the order of seniority and if present and acting - the Chairman of the Board, if any, the Vice-Chairman of the Board, if any, the President, a Vice-President, or, if none of the foregoing is in office and present and acting, by a chairman to be chosen by the stockholders. The Secretary of the corporation, or in his absence, an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present the Chairman of the meeting shall appoint a secretary of the meeting.

-PROXY REPRESENTATION. Every stockholder may authorize another person or persons to act for him by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, voting or participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be signed by the stockholder or by his attorney-in-fact. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled

with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally.

-INSPECTORS. The directors, in advance of any meeting, may, but need not, appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, if any, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspector or inspectors, if any, shall make a report in writing of any challenge, question or matter determined by him or them and execute a certificate of any fact found by him or them.

-QUORUM. The holders of a majority of the outstanding shares of stock shall constitute a quorum at a meeting of stockholders for the transaction of any business. The stockholders present may adjourn the meeting despite the absence of a quorum.

-VOTING. Each share of stock shall entitle the holder thereof to one vote. In the election of directors, a plurality of the votes cast shall elect. Any other action shall be authorized by a majority of the votes cast except where the General Corporation Law prescribes a different percentage of votes and/or a different exercise of voting power, and except as may be otherwise prescribed by the provisions of the certificate of incorporation and these By-Laws. In the election of directors, and for any other action, voting need not be by ballot.

7. STOCKHOLDER ACTION WITHOUT MEETINGS. Any action required by the General Corporation Law to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt

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notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

In order to determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. Such notice shall specify the action sought to be consented to by stockholders. The Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within 10 days after the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposal to be taken is

delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Any such delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

In the event of the delivery of a written consent or consents purporting to authorize or take corporate action and/or related revocations (each such written consent and related revocation is referred to in this Section 7 as a "Consent"), the Secretary shall provide for the safekeeping of such Consent and shall immediately appoint duly qualified and objective inspectors to conduct, as promptly as practical, such reasonable ministerial review as they deem necessary or appropriate for the purpose of ascertaining the sufficiency and validity of such Consent and all matters incident thereto, including, without limitation, whether holders of shares having the requisite voting power to authorize or take the action specified in the Consent have given consent. If after such investigation the Secretary shall determine that the Consent is valid, that fact shall be certified on the records of the corporation kept for the purpose of recording the proceedings of meetings of stockholders, and the Consent shall be filed in such records, at which time the Consent shall become effective as stockholder action.

## ARTICLE II

### DIRECTORS

1. FUNCTIONS AND DEFINITION. The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors of the corporation. The Board of Directors shall have the authority to fix the compensation of the members thereof. The use of the phrase "whole board" herein refers to the total number of directors which the corporation would have if there were no vacancies.

2. QUALIFICATIONS AND NUMBER. A director need not be a stockholder, a citizen of the United States, or a resident of the State of Delaware. The number of directors shall be not less than two nor more than nine as may be fixed, from time to time, by resolution of the directors.

3. ELECTION AND TERM. The first Board of Directors, unless the members thereof shall have been named in the certificate of incorporation, shall be elected by the incorporator or incorporators and shall hold office until the first annual meeting of

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stockholders and until their successors are elected and qualified or until their earlier resignation or removal. Any director may resign at any time upon written notice to the corporation. Thereafter, directors who are elected at an annual meeting of stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of stockholders and until their successors are elected and qualified or until their earlier resignation or removal. In the interim between annual meetings of stockholders or of special meetings of stockholders called for the election of directors and/or for the removal of one or more directors and for the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors for cause or without cause may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum, or by the sole remaining director.

#### 4. MEETINGS.

-TIME. Meetings shall be held at such time as the Board shall fix, except that the first meeting of a newly elected Board shall be held as soon after its election as the directors may conveniently assemble.

-PLACE. Meetings shall be held at such place within or without the State of Delaware as shall be fixed by the Board.

-CALL. No call shall be required for regular meetings for which the time and place have been fixed. Special meetings may be called by or at the direction of the Chairman of the Board, if any, the Vice-Chairman of the Board, if any, of the President, or of a majority of the directors in office.

-NOTICE OR ACTUAL OR CONSTRUCTIVE WAIVER. No notice shall be required for regular meetings for which the time and place have been fixed. Written, oral, or any other mode of notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors thereat. Notice need not be given to any director or to any member of a committee of directors who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of any such person at a meeting shall constitute a waiver of notice of such meeting, except when he attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors need be specified in any written waiver of notice.

-QUORUM AND ACTION. A majority of the whole Board shall constitute a quorum except when a vacancy or vacancies prevents such majority, whereupon a majority of the directors in office shall constitute a quorum, provided, that such majority shall constitute at least one-third of the whole Board. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting to another time and place. Except as herein otherwise provided, and except as otherwise provided by the General Corporation Law, the vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. The quorum and voting provisions herein stated shall not be construed as conflicting with any provisions of the General Corporation Law and these By-Laws which govern a meeting of directors held to fill vacancies and newly created directorships in the Board or action of disinterested directors.

Any member or members of the Board of Directors or of any committee designated by the Board, may participate in a meeting of the Board, or any such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

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-CHAIRMAN OF THE MEETING. The Chairman of the Board, if any and if present and acting, shall preside at all meetings. Otherwise, the Vice-Chairman of the Board, if any and if present and acting, or the President, if present and acting, or any other director chosen by the Board, shall preside.

5. REMOVAL OF DIRECTORS. Except as may otherwise be provided by the General Corporation Law, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

6. COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise the powers and authority of the Board of Directors in the management of the business and affairs of the corporation with the exception of any authority the delegation of which is prohibited by Section 141 of the General Corporation Law, and may authorize the seal of the corporation to be affixed to all papers which may require it.

7. WRITTEN ACTION. Any action required or permitted to be taken at

any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

### ARTICLE III

#### OFFICERS

The officers of the corporation shall consist of a President, a Secretary, a Treasurer, and, if deemed necessary, expedient, or desirable by the Board of Directors, a Chief Executive Officer, a Chairman of the Board, a Vice-Chairman of the Board, an Executive Vice-President, one or more other Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers with such titles as the resolution of the Board of Directors choosing them shall designate. Except as may otherwise be provided in the resolution of the Board of Directors choosing an officer, no officers other than the Chairman or Vice-Chairman of the Board, if any, need be a director. Any number of offices may be held by the same person, as the directors may determine.

Unless otherwise provided in the resolution choosing him, each officer shall be chosen for a term which shall continue until the meeting of the Board of Directors following the next annual meeting of stockholders and until his successor shall have been chosen and qualified.

All officers of the corporation shall have such authority and perform such duties in the management and operation of the corporation as shall be prescribed in the resolutions of the Board of Directors designating and choosing such officers and prescribing their authority and duties, and shall have such additional authority and duties as are incident to their office except to the extent that such resolutions may be inconsistent therewith. The Secretary or Assistant Secretary of the corporation shall record all of the proceedings of all meetings and actions in

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writing of stockholders, directors, and committees of directors, and shall exercise such additional authority and perform such additional duties as the Board shall assign to him. Any officer may be removed, with or without cause, by the Board of Directors. Any vacancy in any office may be filled by the Board of Directors.

### ARTICLE IV

#### CORPORATE SEAL

The corporate seal shall be in such form as the Board of Directors shall prescribe.

### ARTICLE V

#### FISCAL YEAR

The fiscal year of the corporation shall be fixed, and shall be subject to change, by the Board of Directors.

### ARTICLE VI

#### CONTROL OVER BY- LAWS

Subject to the provisions of the certificate of incorporation and the provisions of the General Corporation Law, the power to amend, alter or repeal these By-Laws and to adopt new By-Laws may be exercised by the Board of Directors or by the stockholders.

Dated: \_\_\_\_\_





Option to Purchase  
115,000 Shares of Common Stock and  
115,000 Redeemable Class A Warrants

PC411, INC.

UNDERWRITER'S OPTION

Dated: \_\_\_\_\_, 1996

THIS CERTIFIES that BILTMORE SECURITIES, INC., 6700 N. Andrews Avenue, Fort Lauderdale, Fl. 33309 (hereinafter sometimes referred to as the "Holder" which shall include any permitted transferee hereunder), is entitled to purchase from PC411, INC., a Delaware corporation (hereinafter referred to as the "Company"), at the prices and during the periods as hereinafter specified, up to 115,000 Shares of the Company's Common Stock ("Additional Shares") and 115,000 Redeemable Class A Warrants ("Additional Warrants"). This option, as defined herein, consists of Shares of the Company's Common Stock, \$.01 par value, as now constituted (the "Shares") and Redeemable Class A Warrants, to purchase one (1) share of Common Stock as now constituted at an exercise price of \$6.00 per share (the "Warrants"). The Warrants are exercisable until \_\_\_\_\_, 2001.

The Additional Shares and Additional Warrants have been registered under a Registration Statement on Form SB-2 (File No. 33-\_\_\_\_\_) declared effective by the Securities and Exchange Commission on \_\_\_\_\_, 1996 (the "Registration Statement"). This Option (the "Option") to purchase 115,000 Additional Shares and 115,000 Additional Warrants was originally issued pursuant to an underwriting agreement between the Company and Biltmore Securities, Inc. as underwriter (the "Underwriter"), in connection with a public offering of 1,150,000 Shares (the "Public Shares") and 1,150,000 Redeemable Class A Warrants (the "Public Warrants") through the Underwriter.

Except as specifically otherwise provided herein, the Additional Shares and the Additional Warrants issued pursuant to

this Option shall bear the same terms and conditions as described under the caption "Description of Securities" in the Registration Statement, and the Warrants shall be governed by the terms of the Warrant Agreement dated as of \_\_\_\_\_, 1996, executed in connection with such public offering (the "Warrant Agreement"), and except that the Holder shall have registration rights under the Securities Act of 1933, as amended (the "Act"), for the Option, the Additional Shares and the Additional Warrants and the shares of Common Stock underlying the Additional Warrants, as more fully described in paragraph 6 of this Option. In the event of any reduction of the exercise price of the Public Warrants the same changes to the Additional Warrants shall be simultaneously effected.

1. The rights represented by this Option shall be exercised at the prices, subject to adjustment in accordance with paragraph 8 of this Option, and during the periods as follows:

(a) Between \_\_\_\_\_, 1997 and, \_\_\_\_\_ 2001, inclusive, the Holder shall have the option to purchase Additional Shares hereunder at a price of \$6.00 per Additional Share (subject to adjustment pursuant to paragraph 8 hereof) (the "Exercise Price") and the option to purchase Additional Warrants hereunder at a price of \$.30 per Additional Warrant.

(b) After \_\_\_\_\_, 2001, the Holder shall have no right to purchase any Additional Shares or Additional Warrants hereunder.

2. The rights represented by this Option may be exercised at any time

within the period above specified, in whole or in part, by (i) the surrender of this Option (with the purchase form at the end hereof properly executed) at the principal executive office of the Company (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company); (ii) payment to the Company of the applicable Exercise Price then in effect for the number of Additional Shares or Additional Warrants specified in the above-mentioned purchase form together with applicable stock transfer taxes, if any; and (iii) delivery to the Company of a duly executed agreement signed by the person(s) designated in the purchase form to the effect that such person(s) agree(s) to be bound by the provisions of paragraph 6 and subparagraphs (b), (c)

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and (d) of paragraph 7 hereof. This Option shall be deemed to have been exercised, in whole or in part to the extent specified, immediately prior to the close of business on the date this Option is surrendered and payment is made in accordance with the foregoing provisions of this paragraph 2, and the person or persons in whose name or names the certificates for Shares and Warrants shall be issuable upon such exercise shall become the Holder or Holders of record of such Shares and Warrants at that time and date. The Shares and Warrants and the certificates for the Shares and Warrants so purchased shall be delivered to the Holder within a reasonable time, not exceeding ten (10) days, after the rights represented by this Option shall have been so exercised. The Exercise Price may be paid, at the sole option of the Holder, in cash, by check or by the surrender to the Company of that number of the Additional Shares or Additional Warrants which is calculated by multiplying (i) the total number of the Additional Shares or Additional Warrants by (ii) the Exercise Price and (iii) dividing the product by the then current inside offer, on the date of exercise, of the underlying securities (the "Cashless Exercise Price"). The Cashless Exercise Price may be tendered pro rata by the holder or holders of less than all the Shares and Warrants hereunder as the case may be.

3. For a period of one (1) year from the Effective Date, this Option shall not be transferred, sold, assigned, or hypothecated, except that it may be transferred to successors of the Holder, and may be assigned in whole or in part to any person who is an officer of the Holder during such period. Any such assignment shall be effected by the Holder (i) executing the form of assignment at the end hereof and (ii) surrendering this Option for cancellation at the office or agency of the Company referred to in paragraph 2 hereof, accompanied by a certificate (signed by an officer of the Holder if the Holder is a corporation), stating that each transferee is a permitted transferee under this paragraph 3 hereof; whereupon the Company shall issue, in the name or names specified by the Holder (including the Holder) a new Option or Options of like tenor and representing in the aggregate rights to purchase the same number of Additional Shares and/or Additional Warrants as are purchasable hereunder.

4. The Company covenants and agrees that all Additional Shares and Additional Warrants purchased hereunder and the Common

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Stock which may be issued upon exercise of the Warrants will, upon issuance and payment thereon, be duly and validly issued, fully paid and nonassessable, and no personal liability will attach to the Holder thereof. The Company further covenants and agrees that during the periods within which this Option may be exercised, the Company will at all times have authorized and reserved a sufficient number of shares of its Common Stock to provide for the exercise of this Option and that it will have authorized and reserved a sufficient number of shares of Common Stock for issuance upon exercise of the Additional Warrants.

5. This Option shall not entitle the Holder to any voting, dividend, or other rights as a stockholder of the Company.

6. (a) During the period set forth in paragraph 1(a) hereof, the Company shall advise the Holder or its transferee, whether the Holder holds the Option or has exercised the Option and holds the Additional Shares or Additional Warrants, by written notice at least thirty (30) days prior to the

filing of any post-effective amendment to the Registration Statement or of any new registration statement or post-effective amendment thereto under the Act covering any securities of the Company, for its own account or for the account of others (other than a registration statement on Form S-4 or S-8 or any successor forms thereto), and will for a period of four (4) years commencing one (1) year from the effective date of the Registration Statement, upon the request of the Holder, include in any such post-effective amendment or registration statement, such information as may be required to permit a public offering of the Option, all or any of the the Additional Shares, the Additional Warrants or the Common Stock issuable upon the exercise of the Warrants (the "Registrable Securities"). The Company shall supply prospectuses and such other documents as the Holder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities, use its best efforts to register and qualify any of the Registrable Securities for sale in such states as such Holder designates; provided that the Company shall not be required to qualify as a foreign corporation or a dealer in securities or execute a general consent to service of process in any jurisdiction in any action; and do any and all other acts and things which may be reasonably necessary or desirable to enable such Holders to consummate the public sale or other disposition of the Registrable Securities, and furnish indemnification in the manner provided in paragraph 7

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hereof. The Holder shall furnish information and indemnification as set forth in paragraph 7, except that the maximum amount which may be recovered from the Holder shall be limited to the amount of proceeds received by the Holder from the sale of the Registrable Securities. The Company shall use its best efforts to cause the managing underwriter or underwriters of a proposed underwritten offering to permit the Holders of Registrable Securities requested to be included in the registration to include such securities in such underwritten offering on the same terms and conditions as any similar securities of the Company included therein. Notwithstanding the foregoing, if the managing underwriter or underwriters of such offering advises the Holders of Registrable Securities that the total amount of securities which they intend to include in such offering is such as to materially and adversely affect the success of such offering, then the amount of securities to be offered for the accounts of Holders of Registrable Securities shall be eliminated, reduced, or limited to the extent necessary to reduce the total amount of securities to be included in such offering to the amount, if any, recommended by such managing underwriter or underwriters (any such reduction or limitation in the total amount of Registrable Securities to be included in such offering to be borne by the Holders of Registrable Securities proposed to be included therein pro rata). The Holder will pay its own legal fees and expenses and any underwriting discounts and commissions on the securities sold by such Holder and shall not be responsible for any other expenses of such registration.

(b) If any 50% Holder (as defined below) shall give notice to the Company at any time during the period set forth in paragraph 1(a) hereof to the effect that such Holder desires to register under the Act this Option, the Additional Shares, or any of the Additional Warrants under such circumstances that a public distribution (within the meaning of the Act) of any such securities will be involved then the Company will promptly, but no later than sixty (60) days after receipt of such notice, subject, however, to the availability of audited financial statements that comply with applicable securities laws, rules and regulations, file a post-effective amendment to the current Registration Statement or a new registration statement pursuant to the Act, to the end that the Option, the Additional Shares and/or the Additional Warrants may be publicly sold under the Act as promptly as practicable thereafter and the Company will use its best efforts to cause such registration to become and remain effective for a period of 120

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days (including the taking of such steps as are reasonably necessary to obtain the removal of any stop order); provided that such Holder shall furnish the Company with appropriate information in connection therewith as the Company may reasonably request in writing. The 50% Holder (which for purposes hereof shall mean any direct or indirect transferee of such Holder) may at its option during the period set forth in paragraph 1(a) hereof request the filing of a post-effective amendment to the current Registration Statement or a new registration statement under the Act with respect to the

Registrable Securities on only one occasion during the term of this Option. The Holder may at its option during the period set forth in paragraph 1(a) hereof request the registration of the Option and/or any of the securities underlying the Option in a registration statement made by the Company as contemplated by Section 6(a) or in connection with a request made pursuant to this Section 6(b) prior to acquisition of the Additional Shares or Additional Warrants issuable upon exercise of the Option and even though the Holder has not given notice of exercise of the Option. The 50% Holder may, at its option, request such post-effective amendment or new registration statement during the described period with respect to the Option, the Additional Shares and/or the Additional Warrants and/or the Common Stock issuable upon the exercise of the Warrants, and such registration rights may be exercised by the 50% Holder prior to or subsequent to the exercise of the Option. Within ten (10) business days after receiving any such notice pursuant to this subsection (b) of paragraph 6, the Company shall give notice to the other Holders of the Options, advising that the Company is proceeding with such post-effective amendment or registration statement and offering to include therein the securities underlying the Options of the other Holders. Each Holder electing to include its Registrable Securities in any such offering shall provide written notice to the Company within twenty (20) days after receipt of notice from the Company. The failure to provide such notice to the Company shall be deemed conclusive evidence of such Holder's election not to include its Registrable Securities in such offering. Each Holder electing to include its Registrable Securities shall furnish the Company with such appropriate information (relating to the intentions of such Holders) in connection therewith as the Company shall reasonably request in writing. All costs and expenses of the first such post-effective amendment or new registration statement shall be borne by the Company, except that the Holders shall bear the fees of their own counsel and any underwriting discounts or commissions

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applicable to any of the securities sold by them.

The Company shall be entitled to postpone the filing of any registration statement pursuant to this Section 6(b) otherwise required to be prepared and filed by it if (i) the Company is engaged in a material acquisition, reorganization, or divestiture, (ii) the Company is currently engaged in a self-tender or exchange offer and the filing of a registration statement would cause a violation of Rule 10b-6 under the Securities Exchange Act of 1934, (iii) the Company is engaged in an underwritten offering and the managing underwriter has advised the Company in writing that such a registration statement would have a material adverse effect on the consummation of such offering, (iv) the Company is subject to an underwriter's lock-up as a result of an underwritten public offering and such underwriter has refused in writing, the Company's request to waive such lock-up, (v) if notice is given within 120 days of the end of the Company's fiscal year, in such case, such postponement may only be until the Company's audited financial statements are finally prepared for filing with its Annual Report on Form 10-KSB, or (vi) the Company is prohibited by law from proceeding with such filing. In the event of such postponement, the Company shall be required to file the registration statement pursuant to this Section 6(b), within sixty (60) days of the consummation or termination of the event requiring such postponement.

The Company will use its best efforts to maintain such registration statement or post-effective amendment current under the Act for a period of at least six (6) months (and for up to an additional three (3) months if requested by the Holder) from the effective date thereof. The Company shall supply prospectuses, and such other documents as the Holder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities, use its best efforts to register and qualify any of the Registrable Securities for sale in such states as such Holder designates, provided that the Company shall not be required to qualify as a foreign corporation or a dealer in securities or execute a general consent to service of process in any jurisdiction in any action and furnish indemnification in the manner provided in paragraph 7 hereof.

(c) The term "50% Holder" as used in this paragraph 6 shall mean the Holder of at least 50% of the Shares and the

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Warrants underlying the Option (considered in the aggregate) and Additional Shares and shall include any owner or combination of owners of such securities, which ownership shall be calculated by determining the number of shares of Common Stock issued pursuant to this Option held by such owner or owners as well as the number of shares then issuable upon exercise of the Warrants.

7. (a) Whenever pursuant to paragraph 6 a registration statement relating to the Option or any Additional Shares or Additional Warrants issued or issuable upon the exercise of any Options, is filed under the Act, amended or supplemented, the Company will indemnify and hold harmless each Holder of the securities covered by such registration statement, amendment, or supplement (such Holder being hereinafter called the "Distributing Holder"), and each person, if any, who controls (within the meaning of the Act) the Distributing Holder, against any losses, claims, damages, or liabilities, joint or several, to which the Distributing Holder, or any such controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any such registration statement or any preliminary prospectus or final prospectus constituting a part thereof or any amendment or supplement thereto, or arise out of or are based upon the omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse the Distributing Holder and each such controlling person for any legal or other expenses reasonably incurred by the Distributing Holder or such controlling person or underwriter in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage, or liability (or actions in respect thereof) arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in said registration statement, said preliminary prospectus, said final prospectus, or said amendment or supplement in reliance upon and in conformity with written information furnished by such Distributing Holder or any other Distributing Holder, for use in the preparation thereof.

(b) The Distributing Holder will indemnify and hold

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harmless the Company, each of its directors, each of its officers who have signed said registration statement and such amendments and supplements thereto, each person, if any, who controls the Company (within the meaning of the Act) against any losses, claims, damages, or liabilities, joint and several, to which the Company or any such director, officer, or controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any untrue or alleged untrue statement of any material fact contained in said registration statement, said preliminary prospectus, said final prospectus, or said amendment or supplement, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in said registration statement, said preliminary prospectus, said final prospectus, or said amendment or supplement in reliance upon and in conformity with written information furnished by such Distributing Holder for use in the preparation thereof; and will reimburse the Company or any such director, officer, or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action.

(c) Promptly after receipt by an indemnified party under this paragraph 7 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party, give the indemnifying party notice of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Paragraph 7.

(d) In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense

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thereof, the indemnifying party will not be liable to such indemnified party under this paragraph 7 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof.

8. With respect to the Additional Shares and the Additional Warrants, the Exercise Price in effect at any time and the number and kind of securities purchasable upon the exercise of this Option shall be subject to adjustment from time to time upon the happening of certain events as follows:

(a) In case the Company shall (i) declare a dividend or make a distribution on its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide or reclassify its outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect at the time of the record date for such dividend or distribution or of the effective date of such subdivision, combination or reclassification shall be adjusted so that it shall equal the price determined by multiplying the Exercise Price by a fraction, the denominator of which shall be the number of shares of Common Stock outstanding after giving effect to such action, and the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action. Notwithstanding anything to the contrary contained in the Warrant Agreement, in the event an adjustment to the Exercise Price is effected pursuant to this Subsection (a) (and a corresponding adjustment to the number of Additional Shares and Additional Warrants is made pursuant to Subsection (d) below), the exercise price of the Warrants shall be adjusted so that it shall equal the price determined by multiplying the exercise price of the Warrants by a fraction, the denominator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such action and the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action. In such event, there shall be no adjustment to the number of shares of Common Stock or other securities issuable upon exercise of the Warrants. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) In case the Company shall fix a record date for the issuance of rights or warrants to all Holders of its Common Stock

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entitling them to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price (the "Subscription Price") (or having a conversion price per share) less than the current market price of the Common Stock (as defined in Subsection (e) below) on the record date mentioned below, the Exercise Price shall be adjusted so that the same shall equal the price determined by multiplying the number of Additional Shares or Additional Warrants by the product of the Exercise Price in effect immediately prior to the date of such issuance multiplied by a fraction, the numerator of which shall be the sum of the number of shares of Common Stock outstanding on the record date mentioned below and the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible securities so offered) would purchase at such current market price per share of the Common Stock, and the denominator of which shall be the sum of the number of shares of Common Stock outstanding on such record date and the number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such rights or warrants are issued and shall become effective immediately after the record date for the determination of shareholders entitled to receive such rights or warrants; and to the extent that shares of Common Stock are not delivered (or securities convertible into Common Stock are not delivered) after the expiration of such rights or warrants the Exercise Price shall be

readjusted to the Exercise Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered.

(c) In case the Company shall hereafter distribute to the holders of its Common Stock evidences of its indebtedness or assets (excluding cash dividends or distributions and dividends or distributions referred to in Subsection (a) above) or subscription rights or warrants (excluding those referred to in Subsection (b) above), then in each such case the Exercise Price in effect thereafter shall be determined by multiplying the number of Additional Shares or Additional Warrants by the product of the Exercise Price in effect immediately prior thereto multiplied by a fraction, the numerator of which shall be the total number of shares of Common Stock outstanding multiplied by the current market

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price per share of Common Stock (as defined in Subsection (e) below), less the fair market value (as determined by the Company's Board of Directors) of said assets or evidences of indebtedness so distributed or of such rights or warrants, and the denominator of which shall be the total number of shares of Common Stock outstanding multiplied by such current market price per share of Common Stock. Such adjustment shall be made successively whenever such a record date is fixed. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date for the determination of shareholders entitled to receive such distribution.

(d) Whenever the Exercise Price payable upon exercise of this Option is adjusted pursuant to Subsections (a), (b), or (c), above, the number of Additional Shares or Additional Warrants purchasable upon exercise of this Option shall simultaneously be adjusted by multiplying the number of Additional Shares or Additional Warrants initially issuable upon exercise of this Option by the Exercise Price in effect on the date hereof and dividing the product so obtained by the Exercise Price, as adjusted.

(e) For the purpose of any computation under Subsections (b) or (c) above, the current market price per share of Common Stock at any date shall be deemed to be the average of the daily closing prices for twenty (20) consecutive business days before such date. The closing price for each day shall be the last sale price regular way or, in case no such reported sale takes place on such day, the average of the last reported bid and asked prices regular way, in either case on the principal national securities exchange on which the Common Stock is admitted to trading or listed, or if not listed or admitted to trading on such exchange, the average of the highest reported bid and lowest reported asked prices as reported by NASDAQ, or other similar organization if NASDAQ is no longer reporting such information, or if not so available, the fair market price as determined by the Board of Directors.

(f) No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least ten cents (\$0.10) in such price; provided, however, that any adjustments which by reason of this Subsection (f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment required to be made

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hereunder. All calculations under this Section 8 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. Anything in this Section 8 to the contrary notwithstanding, the Company shall be entitled, but shall not be required, to make such changes in the Exercise Price, in addition to those required by this Section 8, as it shall determine, in its sole discretion, to be advisable in order that any dividend or distribution in shares of Common Stock, or any subdivision, reclassification or combination of Common Stock, hereafter made by the Company shall not result in any Federal Income tax liability to the holders of Common Stock or securities convertible into Common Stock (including Additional Warrants issuable upon exercise of this Option).

(g) Whenever the Exercise Price is adjusted, as herein provided, the Company shall promptly, but no later than twenty(20) days after any

request for such an adjustment by the Holder, cause a notice setting forth the adjusted Exercise Price and adjusted number of Additional Shares and Additional Warrants issuable upon exercise of this Option and, if requested, information describing the transactions giving rise to such adjustments, to be mailed to the Holder, at the address set forth herein, and shall cause a certified copy thereof to be mailed to its transfer agent, if any. The Company may retain a firm of independent certified public accountants selected by the Board of Directors (who may be the regular accountants employed by the Company) to make any computation required by this Section 8, and a certificate signed by such firm shall be conclusive evidence of the correctness of such adjustment.

(h) In the event that at any time, as a result of an adjustment made pursuant to Subsection (a) above, the Holder thereafter shall become entitled to receive any shares of the Company, other than Common Stock, thereafter the number of such other shares so receivable upon exercise of this Option shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Subsections (a) to (g), inclusive above.

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9. This Agreement shall be governed by and in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, PC411, Inc., has caused this Option to be signed by its duly authorized officers under its corporate seal, and this Option to be dated \_\_\_\_\_, 1996.

PC411, INC.

By: \_\_\_\_\_  
Names:  
Title:

(Corporate Seal)

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#### PURCHASE FORM

(To be signed only upon exercise of option)

THE UNDERSIGNED, the holder of the foregoing Option, hereby irrevocably elects to exercise the purchase rights represented by such Option for, and to purchase thereunder,

Additional Shares and Additional Warrants of PC411, Inc., each Additional Share consisting of one share of \$.01 Par Value Common Stock and each Additional Warrant consisting of one Redeemable Class A Warrant, and herewith makes payment of \$ \_\_\_\_\_ therefor, and requests that the Warrants and certificates for shares of Common Stock be issued in the name(s) of, and delivered to \_\_\_\_\_ whose address(es) is (are) \_\_\_\_\_.

Dated:



TRANSFER FORM

(To be signed only upon transfer of the Option)

For value received, the undersigned hereby sells, assigns, and transfers unto \_\_\_\_\_ the right to purchase Additional Shares and Additional Warrants represented by the foregoing Option to the extent of \_\_\_\_\_ Additional Shares and \_\_\_\_\_ Additional Warrants, and appoints \_\_\_\_\_ attorney to transfer such rights on the books of PC411, Inc. with full power of substitution in the premises.

Dated:

By: \_\_\_\_\_

Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

In the presence of:

## WARRANT AGREEMENT

AGREEMENT, dated as of this \_\_\_ day of November 1996, by and between PC411, INC., a Delaware corporation ("Company"), and \_\_\_\_\_, as Warrant Agent (the "Warrant Agent").

### WITNESSETH:

WHEREAS, in connection with a public offering of (i) 1,150,000 shares (the "Shares") of the Company's Common Stock, \$.01 par value ("Common Stock") and (ii) 1,150,000 Redeemable Class A Warrants (the "Warrants") pursuant to an underwriting agreement (the "Underwriting Agreement") dated November \_\_, 1996 between the Company and Biltmore Securities, Inc. ("Biltmore"), and the issuance to Biltmore or its designees of an Underwriter's Option to purchase an aggregate number of Warrants as shall equal ten percent (10%) of the number of Warrants (excluding the over allotment option) being underwritten for the account of the Company at a price per option, equal to 120% of the initial public offering price of the Warrants, (the "Underwriter's Option"), the Company will issue up to 1,265,000 Warrants, consisting of 1,150,000 Warrants in the initial offering, and 115,000 Warrants contained in the Underwriter's Option;

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, registration, transfer, exchange and redemption of the Warrants, the issuance of certificates representing the Warrants, the exercise of the Warrants, and the rights of the holders thereof;

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter set forth and for the purpose of defining the terms and provisions of the Warrants and the certificates representing the Warrants and the respective rights and obligations thereunder of the Company, the holders of certificates representing the Warrants and the Warrant Agent, the parties hereto agree as follows:

1. DEFINITIONS. As used herein, the following terms shall have the following meanings, unless the context shall otherwise require:

(a) "Common Stock" shall mean the common stock of the Company of which at the date hereof consists of \_\_\_\_\_ authorized shares, \$.01 par value, and shall also include any capital stock of any class of the Company thereafter authorized which shall not be limited to a fixed sum or percentage in respect to the rights of the holders thereof to participate in dividends and in the distribution of assets upon the voluntary liquidation, dissolution, or winding up of the Company; provided, however, that the shares issuable upon exercise of the Warrants shall include (1) only shares of such class designated in the Company's Certificate of Incorporation as Common Stock on the date of the original issue of the Warrants or (ii), in the case of any reclassification, change, consolidation, merger, sale, or conveyance of the character referred to in Section 9(c) hereof, the stock, securities, or property provided for in such section or (iii), in the case of any reclassification or change in the outstanding shares of Common Stock issuable upon exercise of the Warrants as a result of a subdivision or combination or a change in par value, or from par value to no par value, or from no par value to par value, such shares of Common Stock as so reclassified or changed.

(b) "Corporate Office" shall mean the office of the Warrant Agent (or its successor) at which at any particular time its principal business shall be administered, which office is located at the date hereof at \_\_\_\_\_, New York, New York.

(c) "Exercise Date" shall mean, as to any Warrant, the date on which

the Warrant Agent shall have received both (a) the Warrant Certificate representing such Warrant, with the exercise form thereon duly executed by the Registered Holder (as defined below) thereof or his attorney duly authorized in writing, and (b) payment in cash, or by official bank or certified check made payable to the Company, of an amount in lawful money of the United States of America equal to the applicable Purchase Price (as defined below).

(d) "Initial Warrant Exercise Date" shall mean November \_\_, 1997.

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(e) "Purchase Price" shall mean the purchase price per share to be paid upon exercise of each Warrant in accordance with the terms hereof, which price shall be not less than \$6.00 per share with respect to the Warrants, subject to adjustment from time to time pursuant to the provisions of Section 9 hereof, and subject to agreement by the Company and Biltmore.

(f) "Redemption Price" shall mean the price at which the Company may, at its option, redeem the Warrants, in accordance with the terms hereof, which price shall be \$0.01 per Warrant.

(g) "Registered Holder" or "Holder" shall mean as to any Warrant and as of any particular date, the person in whose name the certificate representing the Warrant shall be registered on that date on the books maintained by the Warrant Agent pursuant to Section 6.

(h) "Transfer Agent" shall mean \_\_\_\_\_ as the Company's transfer agent, or its authorized successor, as such.

(i) "Warrant Expiration Date" shall mean 5:00 P.M. (New York time) on November \_\_, 2001 or the Redemption Date as defined in Section 8, whichever is earlier at which time, all outstanding Warrants shall be and become void and all rights of all holders thereof and under this Agreement shall cease; provided that if such date shall in the State of New York be a holiday or a day on which banks are authorized or required to close, then 5:00 P.M. (New York time) on the next following day which in the State of New York is not a holiday or a day on which banks are authorized or required to close. Upon thirty (30) days written notice to all warrant holders, the Company shall have the right to extend the warrant expiration date.

## 2. Appointment of Warrant Agent; Warrants and Issuance of Warrant Certificates.

(a) The Company hereby appoints the Warrant Agent to act as Agent for the Company in accordance with the provisions set forth in this Agreement, and the Warrant Agent hereby accepts such appointment.

(b) A Warrant initially shall entitle the Registered Holder of the Warrant representing such Warrant to purchase one

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share of Common Stock upon the exercise thereof, in accordance with the terms hereof, subject to modification and adjustment as provided in Section 9.

(c) Upon execution of this Agreement, Warrant Certificates representing the number of Warrants sold pursuant to the Underwriting Agreement shall be executed by the Company and delivered to the Warrant Agent. Upon written order of the Company signed by its President or a Vice President and by its Secretary or an Assistant Secretary, the Warrant Certificates shall be countersigned, issued, and delivered by the Warrant Agent.

(d) From time to time, up to the Warrant Expiration Date, the Transfer Agent shall countersign and deliver stock certificates in required whole number denominations representing up to an aggregate of 1,265,000 shares of Common Stock, subject to adjustment as described herein, upon the exercise of Warrants in accordance with this Agreement.

(e) From time to time, up to the Warrant Expiration Date, the

Warrant Agent shall countersign and deliver Warrant Certificates in required whole number denominations to the persons entitled thereto in connection with any transfer or exchange permitted under this Agreement; provided that no Warrant Certificates shall be issued except (i) those initially issued hereunder, (ii) those issued on or after the Initial Warrant Exercise Date, upon the exercise of fewer than all Warrants represented by any Warrant Certificate, to evidence any unexercised warrants held by the exercising Registered Holder, (iii) those issued upon any transfer or exchange pursuant to Section 6; (iv) those issued in replacement of lost, stolen, destroyed, or mutilated Warrant Certificates pursuant to Section 7; (v) those issued pursuant to the Underwriter's Option; and (vi) those issued at the option of the Company, in such form as may be approved by the its Board of Directors, to reflect any adjustment or change in the Purchase Price, the number of shares of Common Stock purchasable upon exercise of the Warrants or the Redemption Price therefor made pursuant to Section 9 hereof.

(f) Pursuant to the terms of the Underwriter's Option, Biltmore may purchase up to 115,000 additional Warrants.

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### 3. FORM AND EXECUTION OF WARRANT CERTIFICATES.

(a) The Warrant Certificates shall be substantially in the form annexed hereto as Exhibit A (the provisions of which are hereby incorporated herein) and may have such letters, numbers, or other marks of identification or designation and such legends, summaries, or endorsements printed, lithographed, or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Warrants may be listed, or to conform to usage or to the requirements of Section 2(c). The Warrant Certificates shall be dated the date of issuance thereof (whether upon initial issuance, transfer, exchange, or in lieu of mutilated, lost, stolen, or destroyed Warrant Certificates) and issued in registered form. Warrant Certificates shall be numbered serially with the letter W.

(b) Warrant Certificates shall be executed on behalf of the Company by its President, or any Vice President and by its Secretary or an Assistant Secretary, by manual signatures or by facsimile signatures printed thereon, and shall have imprinted thereon a facsimile of the Company's seal. Warrant Certificates shall be manually countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Warrant Certificates shall cease to be an officer of the Company or to hold the particular office referenced in the Warrant Certificate before the date of issuance of the Warrant Certificates or before countersignature by the Warrant Agent and issue and delivery thereof, such Warrant Certificates may nevertheless be countersigned by the Warrant Agent, issued and delivered with the same force and effect as though the person who signed such Warrant Certificates had not ceased to be an officer of the Company or to hold such office. After countersignature by the Warrant Agent, Warrant Certificates shall be delivered by the Warrant Agent to the Registered Holder without further action by the Company, except as otherwise provided by Section 4 hereof.

4. EXERCISE. Each Warrant may be exercised by the Registered Holder thereof at any time on or after the Initial Warrant Exercise Date, but not after the Warrant Expiration Date,

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upon the terms and subject to the conditions set forth herein and in the applicable Warrant Certificate. Warrants may only be exercised for purchase of whole shares of Common Stock. The rights of purchase represented by the Warrants shall be exercisable, at the election of the Registered Holders thereof, either in full or from time to time in part. Warrants may be exercised upon surrender to the Company at the principal office of the Warrant Agent, of the certificate or certificates evidencing the Warrants to be exercised (except as otherwise provided herein), together with the form of election to purchase on the reverse thereof duly filled in and signed and upon payment to the Warrant Agent for the account of the Company of the

purchase price for the number of shares of Common Stock issuable on exercise of the Warrants then being exercised. Payment of the aggregate purchase price shall be made in cash or by certified or official bank check. A Warrant shall be deemed to have been exercised immediately prior to the close of business on the Exercise Date and the person entitled to receive the securities deliverable upon such exercise shall be treated for all purposes as the holder of those securities upon the exercise of the Warrant as of the close of business on the Exercise Date. As soon as practicable on or after the Exercise Date, the Warrant Agent shall deposit the proceeds received from the exercise of a Warrant and shall notify the Company in writing of the exercise of the Warrants. Promptly following, and in any event within five (5) business days after the date of such notice from the Warrant Agent, the Warrant Agent, on behalf of the Company, shall cause to be issued and delivered by the Transfer Agent, to the person or persons entitled to receive the same, a certificate or certificates for the securities deliverable upon such exercise (plus a certificate for any remaining unexercised Warrants of the Registered Holder), unless prior to the date of issuance of such certificates the Company shall instruct the Warrant Agent to refrain from causing such issuance of certificates pending clearance of checks received in payment of the Purchase Price pursuant to such Warrants. Upon the exercise of any Warrant and clearance of the funds received, the Warrant Agent shall promptly remit the payment received for the Warrant to the Company or as the Company may direct in writing.

#### 5. RESERVATION OF SHARES; LISTING; PAYMENT OF TAXES, ETC.

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(a) The Company covenants that it will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issue upon exercise of Warrants, such number of shares of Common Stock as shall then be issuable upon the exercise of all outstanding Warrants. The Company covenants that all shares of Common Stock which shall be issuable upon exercise of the Warrants shall, upon payment of the Purchase Price and at the time of delivery, be duly and validly issued, fully paid, nonassessable, and free from all taxes, liens, and charges with respect to the issue thereof, (other than those which the Company shall promptly pay or discharge) and that upon issuance such shares shall be listed on each national securities exchange or eligible for inclusion in each automated quotation system, if any, on which the other shares of outstanding Common Stock of the Company are then listed or eligible for inclusion.

(b) The Company is not obligated to deliver any shares of Common Stock pursuant to the exercise of any Warrant unless the appropriate required registration with, or approval of, any governmental authority has been obtained; provided, however, that if any securities to be reserved for the purpose of exercise of Warrants hereunder require registration with, or approval of, any governmental authority under any federal securities law before such securities may be validly issued or delivered upon such exercise, then the Company will, to the extent the Purchase Price is less than the Market Price (as hereinafter defined), in good faith and as expeditiously as reasonably possible, endeavor to secure such registration or approval and will use its reasonable efforts to obtain appropriate approvals or registrations under state "blue sky" securities laws. With respect to any such securities, however, Warrants may not be exercised by, or shares of Common Stock issued to, any Registered Holder in any state in which such exercise would be unlawful. The Company is not obligated to qualify the shares of Common Stock issuable upon exercise of the Warrants for sale in any jurisdiction where any Registered Holder thereof may reside, however, the Company is obligated to endeavor to seek registration or approval for the sale of the shares of Common Stock issuable upon exercise of the Warrants in those states in which Warrants were sold pursuant to the Company's initial registration statement pursuant to the Underwriting Agreement and in such other states in which an exemption from registration is available.

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(c) The Company shall pay all documentary, stamp, or similar taxes and other governmental charges that may be imposed with respect to the

issuance of Warrants, or the issuance, or delivery of any shares of Common Stock upon exercise of the Warrants; provided, however, that if the shares of Common Stock are to be delivered in a name other than the name of the Registered Holder of the Warrant Certificate representing any Warrant being exercised, then no such delivery shall be made unless the person requesting the same has paid to the Warrant Agent the amount of transfer taxes or charges incident thereto, if any.

(d) The Warrant Agent is hereby irrevocably authorized for such time as it is acting as such to requisition the Company's Transfer Agent from time to time for certificates representing shares of Common Stock issuable upon exercise of the Warrants, and the Company will authorize the Transfer Agent to comply with all such proper requisitions. The Company will file with the Warrant Agent a statement setting forth the name and address of the Transfer Agent of the Company for shares of Common Stock issuable upon exercise of the Warrants.

#### 6. Exchange and Registration of Transfer.

(a) Warrant Certificates may be exchanged for other Warrant Certificates representing an equal aggregate number of Warrants of the same class or may be transferred in whole or in part. Warrant Certificates to be exchanged shall be surrendered to the Warrant Agent at its Corporate Office, and upon satisfaction of the terms and provisions hereof, the Company shall execute and the Warrant Agent shall countersign, issue, and deliver in exchange therefor the Warrant Certificate or Certificates which the Registered Holder making the exchange shall be entitled to receive.

(b) The Warrant Agent shall keep at its Corporate Office books in which, subject to such reasonable regulations as it may prescribe, it shall register Warrant Certificates and the transfer thereof in accordance with its regular practice. Upon due presentment for registration of transfer of any Warrant Certificate at such office, the Company shall execute and the Warrant Agent shall issue and deliver to the transferee or transferees a new Warrant Certificate or Certificates representing an equal aggregate number of Warrants.

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(c) With respect to all Warrant Certificates presented for registration or transfer, or for exchange or exercise, the subscription form on the reverse thereof shall be duly endorsed, or be accompanied by a written instrument or instruments of transfer and subscription, in form satisfactory to the Company and the Warrant Agent, duly executed by the Registered Holder or the Registered Holder's attorney-in-fact duly authorized in writing.

(d) A service charge may be imposed by the Warrant Agent for any exchange or registration of transfer of Warrant Certificates. In addition, the Company may require payment by such Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

(e) All Warrant Certificates surrendered for exercise or for exchange in case of mutilated Warrant Certificates shall be promptly canceled by the Warrant Agent and thereafter retained by the Warrant Agent until termination of this Agreement or resignation as Warrant Agent, or disposed of or destroyed, at the direction of the Company.

(f) Prior to due presentment for registration of transfer thereof, the Company and the Warrant Agent may deem and treat the Registered Holder of any Warrant Certificate as the absolute owner thereof and of each Warrant represented thereby (notwithstanding any notations of ownership or writing thereon made by anyone other than a duly authorized officer of the Company or the Warrant Agent) for all purposes and shall not be affected by any notice to the contrary.

7. LOSS OR MUTILATION. Upon receipt by the Company and the Warrant Agent of evidence satisfactory to them of the ownership of and loss, theft, destruction, or mutilation of any Warrant Certificate and (in case of loss, theft, or destruction) of indemnity satisfactory to them, and (in the case of mutilation) upon surrender and cancellation thereof, the Company shall execute and the Warrant Agent shall (in the absence of notice to the Company and/or

Warrant Agent that the Warrant Certificate has been acquired by a bona fide purchaser) countersign and deliver to the Registered Holder in lieu thereof a new Warrant Certificate of like tenor representing an equal aggregate number of Warrants. Applicants for a substitute Warrant Certificate shall comply with

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such other reasonable regulations and pay such other reasonable charges as the Warrant Agent may prescribe.

#### 8. REDEMPTION.

(a) Subject to the provisions of paragraph 2(f) hereof, on not less than thirty (30) days notice given at any time after the Initial Warrant Exercise Date, the Warrants may be redeemed, at the option of the Company, at a redemption price of \$.01 per Warrant, provided that the Market Price of the Company's Common Stock exceeds 175% of the initial public offering price of the Common Stock (the "Target Price") subject to adjustment as set forth in Section 8(f) below. "Market Price" for the purpose of this Section 8 shall mean (i) the average closing bid price for any twenty (20) consecutive trading days ending within five (5) days prior to the date of the notice of redemption, of the Common Stock as reported by the National Association of Securities Dealers, Inc. Automatic Quotation System or (ii) the last reported sale price, for twenty (20) consecutive trading days ending within five (5) days of the date of the notice of redemption, on the primary exchange on which the Common Stock is traded, if the Common Stock is traded on a national securities exchange; provided, however, that the Company may not under any circumstances call for the redemption of any of the Warrants issued to the Underwriter in relation to the Underwriter's Option.

(b) If the conditions set forth in Section 8(a) are met, and the Company desires to exercise its right to redeem the Warrants, it shall mail a notice of redemption to each of the Registered Holders of the Warrants to be redeemed, first class, postage prepaid, not later than the thirtieth day before the date fixed for redemption, at their last address as shall appear on the records maintained pursuant to Section 6(b). Any notice mailed in the manner provided herein shall be conclusively presumed to have been duly given whether or not the Registered Holder receives such notice.

(c) The notice of redemption shall specify (i) the redemption price, (ii) the date fixed for redemption, (iii) the place where the Warrant Certificates shall be delivered and the redemption price paid, and (iv) that the right to exercise the Warrant shall terminate at 5:00 P.M. (New York time) on the business day immediately preceding the date fixed for redemption.

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The date fixed for the redemption of the Warrant shall be the Redemption Date. No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for such redemption except as to a Registered Holder (1) to whom notice was not mailed or (2) whose notice was defective and then only to the extent that the Registered Holder is prejudiced thereby. An affidavit of the Warrant Agent or of the Secretary or an Assistant Secretary of the Company that notice of redemption has been mailed shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(d) Any right to exercise a Warrant shall terminate at 5:00 P.M. (New York time) on the business day immediately preceding the Redemption Date. On and after the Redemption Date, Holders of the Warrants shall have no further rights except to receive, upon surrender of the Warrant, the Redemption Price.

(e) From and after the Redemption Date specified for, the Company shall, at the place specified in the notice of redemption, upon presentation and surrender to the Company by or on behalf of the Registered Holder thereof of one or more Warrant Certificates evidencing Warrants to be redeemed, deliver or cause to be delivered to or upon the written order of such Holder a sum in cash equal to the redemption price of each such Warrant. From and after the Redemption Date and upon the deposit or setting aside by the Company of a sum

sufficient to redeem all the Warrants called for redemption, such Warrants shall expire and become void and all rights hereunder and under the Warrant Certificates, except the right to receive payment of the Redemption Price, shall cease.

(f) If the shares of the Company's Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, the Target Price shall be proportionally adjusted by the ratio which the total number of shares of Common Stock outstanding immediately prior to such event bears to the total number of shares of Common Stock to be outstanding immediately after such event.

9. Adjustment of Exercise Price and Number of Shares of Common Stock or Warrants.

(a) Subject to the exceptions referred to in Section 9(g) below, in the event the Company shall, at any time or from

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time to time after the date hereof, sell any shares of Common Stock for a consideration per share less than the Market Price of the Common Stock (as defined in Section 8) on the date of the sale or issue any shares of Common Stock as a stock dividend to the holders of Common Stock, or subdivide or combine the outstanding shares of Common Stock into a greater or lesser number of shares (any such sale, issuance, subdivision, or combination being herein called a "Change of Shares"), then, and thereafter upon each further Change of Shares, the Purchase Price in effect immediately prior to such Change of Shares shall be changed to a price (including any applicable fraction of a cent) determined by multiplying the Purchase Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares and the number of shares of Common Stock which the aggregate consideration received (determined as provided in subsection 9(f) below) for the issuance of such additional shares would purchase at such current market price per share of Common Stock, and the denominator of which shall be the sum of the number of shares of Common Stock outstanding immediately after the issuance of such additional shares. Such adjustment shall be made successively whenever such an issuance is made.

Upon each adjustment of the Purchase Price pursuant to this Section 9, the total number of shares of Common Stock purchasable upon the exercise of each Warrant shall (subject to the provisions contained in Section 9(b) hereof) be such number of shares (calculated to the nearest tenth) purchasable at the Purchase Price in effect immediately prior to such adjustment multiplied by a fraction, the numerator of which shall be the Purchase Price in effect immediately prior to such adjustment and the denominator of which shall be the Purchase Price in effect immediately after such adjustment.

(b) The Company may elect, upon any adjustment of the Purchase Price hereunder, to adjust the number of Warrants outstanding, in lieu of the adjustment in the number of shares of Common Stock purchasable upon the exercise of each Warrant as hereinabove provided, so that each Warrant outstanding after such adjustment shall represent the right to purchase one share of Common Stock. Each Warrant held of record prior to such adjustment of the number of Warrants shall become that number of Warrants (calculated to the nearest tenth) determined by multiplying the

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number one by a fraction, the numerator of which shall be the Purchase Price in effect immediately prior to such adjustment and the denominator of which shall be the Purchase Price in effect immediately after such adjustment. Upon each adjustment of the number of Warrants pursuant to this Section 9, the Company shall, as promptly as practicable, cause to be distributed to each Registered Holder of Warrant Certificates on the date of such adjustment Warrant Certificates evidencing, subject to Section 10 hereof, the number of additional Warrants to which such Holder shall be entitled as a result of such adjustment or, at the option of the Company, cause to be distributed to



such Holder in substitution and replacement for the Warrant Certificates held by him prior to the date of adjustment (and upon surrender thereof, if required by the Company) new Warrant Certificates evidencing the number of Warrants to which such Holder shall be entitled after such adjustment.

(c) In case of any reclassification, capital reorganization, or other change of outstanding shares of Common Stock, or in case of any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification, capital reorganization, or other change of outstanding shares of Common Stock), or in case of any sale or conveyance to another corporation of the property of the Company as, or substantially as, an entirety (other than a sale/leaseback, mortgage, or other financing transaction), the Company shall cause effective provision to be made so that each Holder of a Warrant then outstanding shall have the right thereafter, by exercising such Warrant, to purchase the kind and number of shares of stock or other securities or property (including cash) receivable upon such reclassification, capital reorganization, or other change, consolidation, merger, sale, or conveyance by a Holder of the number of shares of Common Stock that might have been purchased upon exercise of such Warrant immediately prior to such reclassification, capital reorganization, or other change, consolidation, merger, sale, or conveyance. Any such provision shall include a provision for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 9. The Company shall not effect any such consolidation, merger, or sale unless prior to or simultaneously with the consummation thereof the successor (if other than the Company) resulting from such consolidation or merger

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or the corporation purchasing assets or other appropriate corporation or entity shall assume, by written instrument executed and delivered to the Warrant Agent, the obligation to deliver to the Holder of each Warrant such shares of stock, securities, or assets as, in accordance with the foregoing provisions, such Holders may be entitled to purchase and the other obligations under this Agreement. The foregoing provisions shall similarly apply to successive reclassification, capital reorganizations, and other changes of outstanding shares of Common Stock and to successive consolidations, mergers, sales, or conveyances.

(d) Irrespective of any adjustments or changes in the Purchase Price or the number of shares of Common Stock purchasable upon exercise of the Warrants, the Warrant Certificates theretofore and thereafter issued shall, unless the Company shall exercise its option to issue new Warrant Certificates pursuant to Section 2(e) hereof, continue to express the Purchase Price per share, the number of shares purchasable thereunder, and the Redemption Price therefor as were expressed in the Warrant Certificates when the same were originally issued.

(e) After each adjustment of the Purchase Price pursuant to this Section 9, the Company will promptly prepare a certificate signed by the President or a Vice President, and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, of the Company setting forth: (i) the Purchase Price as so adjusted, (ii) the number of shares of Common Stock purchasable upon exercise of each Warrant after such adjustment, and, if the Company shall have elected to adjust the number of Warrants, the number of Warrants to which the registered holder of each Warrant shall then be entitled, and the adjustment in Redemption Price resulting therefrom, and (iii) a brief statement of the facts accounting for such adjustment. The Company will promptly file such certificate with the Warrant Agent and cause a brief summary thereof to be sent by ordinary first class mail to Biltmore and to each Registered Holder of Warrants at his last address as it shall appear on the registry books of the Warrant Agent. No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity thereof except as to the Holder to whom the Company failed to mail such notice, or except as to the Holder whose notice was defective. The affidavit of an officer of the Warrant Agent or the Secretary or an Assistant Secretary of the

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Company that such notice has been mailed shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(f) For purposes of Section 9(a) and 9(b) hereof, the following provisions (i) to (vii) shall also be applicable:

(i) The number of shares of Common Stock outstanding at any given time shall include shares of Common Stock owned or held by or for the account of the Company and the sale or issuance of such treasury shares or the distribution of any such treasury shares shall not be considered a Change of Shares for purposes of said sections.

(ii) No adjustment of the Purchase Price shall be made unless such adjustment would require an increase or decrease of at least \$.10 in such price; provided that any adjustments which by reason of this subsection (ii) are not required to be made shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment(s) so carried forward, shall require an increase or decrease of at least \$.10 in the Purchase Price then in effect hereunder.

(iii) In case of (1) the sale by the Company for cash of any rights or warrants to subscribe for or purchase, or any options for the purchase of, Common Stock or any securities convertible into or exchangeable for Common Stock without the payment of any further consideration other than cash, if any (such convertible or exchangeable securities being herein called "Convertible Securities"), or (2) the issuance by the Company, without the receipt by the Company of any consideration therefor, of any rights or warrants to subscribe for or purchase, or any options for the purchase of, Common Stock or Convertible Securities, in each case, if (and only if) the consideration payable to the Company upon the exercise of such rights, warrants, or options shall consist of cash, whether or not such rights, warrants, or options, or the right to convert or exchange such Convertible Securities, are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such rights, warrants, or options or upon the conversion or exchange of such Convertible Securities (determined by dividing (x) the minimum aggregate consideration payable to the Company upon the exercise of such rights, warrants, or options, plus the

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consideration received by the Company for the issuance or sale of such rights, warrants, or options, plus, in the case of such Convertible Securities, the minimum aggregate amount of additional consideration, if any, other than such Convertible Securities, payable upon the conversion or exchange thereof, by (y) the total maximum number of shares of Common Stock issuable upon the exercise of such rights, warrants, or options or upon the conversion or exchange of such Convertible Securities) is less than the fair market value of the Common Stock (determined in accordance with the provisions of Section 10 hereof) on the date of the issuance or sale of such rights, warrants, or options, then the total maximum number of shares of Common Stock issuable upon the exercise of such rights, warrants, or options or upon the conversion or exchange of such Convertible Securities (as of the date of the issuance or sale of such rights, warrants, or options) shall be deemed to be outstanding shares of Common Stock for purposes of Sections 9(a) and 9(b) hereof and shall be deemed to have been sold for cash in an amount equal to such price per share.

(iv) In case of the sale by the Company for cash of any Convertible Securities, whether or not the right of conversion or exchange thereunder is immediately exercisable, and the price per share for which Common Stock is issuable upon the conversion or exchange of such Convertible Securities (determined by dividing (x) the total amount of consideration received by the Company for the sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, other than such Convertible Securities, payable upon the conversion or exchange thereof, by (y) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of such Convertible Securities) is less than the fair market value of the Common Stock (determined in accordance with the provisions of Section 10 hereof) on the date of the sale of such Convertible Securities, then the total maximum number of shares of Common Stock issuable upon the conversion or exchange of such Convertible Securities (as of the date of the sale of such Convertible Securities) shall be deemed to be

outstanding shares of Common Stock for purposes of Sections 9(a) and 9(b) hereof and shall be deemed to have been sold for cash in an amount equal to such price per share.

(v) In case the Company shall modify the rights of conversion, exchange, or exercise of any of the securities referred to in subsection (iii) above or any other securities of the Company

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convertible, exchangeable, or exercisable for shares of Common Stock, for any reason other than an event that would require adjustment to prevent dilution, so that the consideration per share received by the Company after such modification is less than the Market Price on the date prior to such modification, the Purchase Price to be in effect after such modification shall be determined by multiplying the Purchase Price in effect immediately prior to such event by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding multiplied by the Market Price on the date prior to the modification plus the number of shares of Common Stock which the aggregate consideration receivable by the Company for the securities affected by the modification would purchase at the Market Price and of which the denominator shall be the number of shares of Common Stock outstanding on such date plus the number of shares of Common Stock to be issued upon conversion, exchange, or exercise of the modified securities at the modified rate. Such adjustment shall become effective as of the date upon which such modification shall take effect.

(vi) On the expiration of any such right, warrant, or option or the termination of any such right to convert or exchange any such Convertible Securities, the Purchase Price then in effect hereunder shall forthwith be readjusted to such Purchase Price as would have obtained (1) had the adjustments made upon the issuance or sale of such rights, warrants, options, or Convertible Securities been made upon the basis of the issuance of only the number of shares of Common Stock theretofore actually delivered (and the total consideration received therefor) upon the exercise of such rights, warrants, or options or upon the conversion or exchange of such Convertible Securities and (2) had adjustments been made on the basis of the Purchase Price as adjusted under clause (1) for all transactions (which would have affected such adjusted Purchase Price) made after the issuance or sale of such rights, warrants, options, or Convertible Securities.

(vii) In case of the sale for cash of any shares of Common Stock, any Convertible Securities, any rights or warrants to subscribe for or purchase, or any options for the purchase of, Common Stock or Convertible Securities, the consideration received by the Company therefor shall be deemed to be the gross sales price therefor without deducting therefrom any expense paid or incurred

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by the Company or any underwriting discounts or commissions or concessions paid or allowed by the Company in connection therewith.

(g) No adjustment to the Purchase Price of the Warrants or to the number of shares of Common Stock purchasable upon the exercise of each Warrant will be made, however,

(i) upon the sale or exercise of the Warrants, including without limitation the sale or exercise of any of the Warrants or Common Stock comprising the Underwriter's Option; or

(ii) upon the sale of any shares of Common Stock in the Company's initial public offering, including, without limitation, shares sold upon the exercise of any over-allotment option granted to the Underwriters in connection with such offering; or

(iii) upon the issuance or sale of Common Stock or Convertible Securities upon the exercise of any rights or warrants to subscribe for or purchase, or any options for the purchase of, Common Stock or Convertible Securities, whether or not such rights, warrants, or options were outstanding on the date of the original sale of the Warrants or were thereafter issued or

sold; or

(iv) upon the issuance or sale of Common Stock upon conversion or exchange of any Convertible Securities, whether or not any adjustment in the Purchase Price was made or required to be made upon the issuance or sale of such Convertible Securities and whether or not such Convertible Securities were outstanding on the date of the original sale of the Warrants or were thereafter issued or sold; or

(v) upon the issuance or sale of Common Stock or Convertible Securities in an exempt transaction under securities laws unless the issuance or sale price is less than 85% of the fair market value of the Common Stock on the date of issuance, in which case the adjustment shall only be for the difference between 85% of the fair market value and the issue or sale price;

(vi) upon the issuance or sale of Common Stock or Convertible Securities to shareholders of any corporation which merges and/or consolidates into or is acquired by the Company or from which the Company acquires assets and some or all of the

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consideration consists of equity securities of the Company, in proportion to their stock holdings of such corporation immediately prior to the acquisition but only if no adjustment is required pursuant to any other provision of this Section 9;

(vii) upon the issuance or exercise of options or upon the issuance or grant of stock awards granted to the Company's directors, employees or consultants under a plan or plans adopted by the Company's Board of Directors and approved by its stockholders (but only to the extent that the aggregate number of shares excluded hereby and issued after the date hereof shall not exceed ten percent (10%) of the Company's Common Stock at the time of issuance). For the purposes of determining whether the consideration received by the Company is less than the Market Price in connection with any issuance of stock to the Company's directors, employees or consultants under plans adopted by the Company's Board of Directors and approved by its stockholders, the consideration received shall be deemed to be the amount of compensation to the director, employee or consultant reported by the Company in connection with such issuance;

(viii) upon the issuance of Common Stock to the Company's directors, employees or consultants under a plan or plans which are qualified under the Internal Revenue Code; or

(ix) upon the issuance of Common Stock in a bona fide public offering pursuant to a firm commitment underwriting.

(h) Any determination as to whether an adjustment in the Purchase Price in effect hereunder is required pursuant to Section 9, or as to the amount of any such adjustment, if required, shall be binding upon the holders of the Warrants and the Company if made in good faith by the Board of Directors of the Company.

(i) If and whenever the Company shall grant to the holders of Common Stock, as such, rights or warrants to subscribe for or to purchase, or any options for the purchase of, Common Stock or securities convertible into or exchangeable for or carrying a right, warrant, or option to purchase Common Stock, the Company shall concurrently therewith grant to each Registered Holder as of the record date for such transaction of the Warrants then outstanding, the rights, warrants, or options to which each Registered Holder would have been entitled if, on the record date

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used to determine the stockholders entitled to the rights, warrants, or options being granted by the Company, the Registered Holder was the holder of record of the number of whole shares of Common Stock then issuable upon exercise (assuming, for purposes of this section 9(i), that exercise of warrants is permissible during periods prior to the Initial Warrant Exercise

Date) of his Warrants. Such grant by the Company to the holders of the Warrants shall be in lieu of any adjustment which otherwise might be called for pursuant to this Section 9.

#### 10. FRACTIONAL WARRANTS AND FRACTIONAL SHARES.

If the number of shares of Common Stock purchasable upon the exercise of each Warrant is adjusted pursuant to Section 9 hereof, the Company nevertheless shall not be required to issue fractions of shares, upon exercise of the Warrants or otherwise, or to distribute certificates that evidence fractional shares. In such event, the Company may at its option elect to round up the number of shares to which the Holder is entitled to the nearest whole share or to pay cash in respect of fractional shares in accordance with the following: With respect to any fraction of a share called for upon any exercise hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current market value of such fractional share, determined as follows:

(a) If the Common Stock is listed on a National Securities Exchange or admitted to unlisted trading privileges on such exchange or listed for trading on the NASDAQ Quotation System, the current market value shall be the last reported sale price of the Common Stock on such exchange on the last business day prior to the date of exercise of the Warrant or if no such sale is made on such day, the average of the closing bid and asked prices for such day on such exchange; or

(b) If the Common Stock is not listed or admitted to unlisted trading privileges, the current value shall be the mean of the last reported bid and asked prices reported by the National Quotation Bureau, Inc. on the last business day prior to the date of the exercise of the Warrant; or

(c) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices

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are not so reported, the current market value shall be an amount determined in such reasonable manner as may be prescribed by the Board of Directors of the Company.

11. WARRANT HOLDERS NOT DEEMED STOCKHOLDERS. No Holder of Warrants shall, as such, be entitled to vote or to receive dividends or be deemed the holder of Common Stock that may at any time be issuable upon exercise of such Warrants for any purpose whatsoever, nor shall anything contained herein be construed to confer upon the Holder of Warrants, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issue or reclassification of stock, change of par value or change of stock to no par value, consolidation, merger, or conveyance or otherwise), or to receive notice of meetings, or to receive dividends or subscription rights, until such Holder shall have exercised such Warrants and been issued shares of Common Stock in accordance with the provisions hereof.

12. RIGHTS OF ACTION. All rights of action with respect to this Agreement are vested in the respective Registered Holders of the Warrants, and any Registered Holder of a Warrant, without consent of the Warrant Agent or of the Holder of any other Warrant, may, in his own behalf and for his own benefit, enforce against the Company his right to exercise his Warrants for the purchase of shares of Common Stock in the manner provided in the Warrant Certificate and this Agreement.

13. AGREEMENT OF WARRANT HOLDERS. Every Holder of a Warrant, by his acceptance thereof, consents and agrees with the Company, the Warrant Agent and every other Holder of a Warrant that:

(a) The Warrants are transferable only on the registry books of the Warrant Agent by the Registered Holder thereof in person or by his attorney duly authorized in writing and only if the Warrant Certificates representing such Warrants are surrendered at the office of the Warrant Agent, duly endorsed or accompanied by a proper instrument of transfer satisfactory to the Warrant Agent and the Company in their mutual discretion,

together with payment of any applicable transfer taxes; and

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(b) The Company and the Warrant Agent may deem and treat the person in whose name the Warrant Certificate is registered as the holder and as the absolute, true, and lawful owner of the Warrants represented thereby for all purposes, and neither the Company nor the Warrant Agent shall be affected by any notice or knowledge to the contrary, except as otherwise expressly provided in Section 7 hereof.

14. CANCELLATION OF WARRANT CERTIFICATES. If the Company shall purchase or acquire any Warrant or Warrants, the Warrant Certificate or Warrant Certificates evidencing the same shall thereupon be delivered to the Warrant Agent and canceled by it and retired. The Warrant Agent shall also cancel Common Stock following exercise of any or all of the Warrants represented thereby or delivered to it for transfer, split up, combination, or exchange.

15. CONCERNING THE WARRANT AGENT. The Warrant Agent acts hereunder as agent and in a ministerial capacity for the Company, and its duties shall be determined solely by the provisions hereof. The Warrant Agent shall not, by issuing and delivering Warrant Certificates or by any other act hereunder, be deemed to make any representations as to the validity, value, or authorization of the Warrant Certificates or the Warrants represented thereby or of any securities or other property delivered upon exercise of any Warrant or whether any stock issued upon exercise of any Warrant is fully paid and nonassessable.

The Warrant Agent shall not at any time be under any duty or responsibility to any Holder of Warrant Certificates to make or cause to be made any adjustment of the Purchase Price or the Redemption Price provided in this Agreement, or to determine whether any fact exists which may require any such adjustments, or with respect to the nature or extent of any such adjustment, when made, or with respect to the method employed in making the same. It shall not (i) be liable for any recital or statement of facts contained herein or for any action taken, suffered, or omitted by it in reliance on any Warrant Certificate or other document or instrument believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties, (ii) be responsible for any failure on the part of the Company to comply with any of its covenants and obligations contained in this Agreement or in any Warrant Certificate, or (iii) be liable for any

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act or omission in connection with this Agreement except for its own negligence or wilful misconduct.

The Warrant Agent may at any time consult with counsel satisfactory to it (who may be counsel for the Company) and shall incur no liability or responsibility for any action taken, suffered or omitted by it in good faith in accordance with the opinion or advice of such counsel.

Any notice, statement, instruction, request, direction, order, or demand of the Company shall be sufficiently evidenced by an instrument signed by the President, any Vice President, its Secretary, or Assistant Secretary, (unless other evidence in respect thereof is herein specifically prescribed). The Warrant Agent shall not be liable for any action taken, suffered or omitted by it in accordance with such notice, statement, instruction, request, direction, order, or demand reasonably believed by it to be genuine.

The Company agrees to pay the Warrant Agent reasonable compensation for its services hereunder and to reimburse it for its reasonable expenses hereunder; it further agrees to indemnify the Warrant Agent and save it harmless against any and all losses, expenses, and liabilities, including judgments, costs, and counsel fees, for anything done or omitted by the Warrant Agent in the execution of its duties and powers hereunder except losses, expenses, and liabilities arising as a result of the Warrant Agent's negligence or wilful misconduct.

The Warrant Agent may resign its duties and be discharged from all further duties and liabilities hereunder (except liabilities arising as a

result of the Warrant Agent's own negligence or wilful misconduct), after giving thirty (30) days prior written notice to the Company. The Warrant Agent may be removed by like notice from the Company to the Warrant Agent. At least fifteen (15) days prior to the date such resignation or removal is to become effective, the Warrant Agent or the Company shall cause a copy of such notice of resignation or removal to be mailed to the Registered Holder of each Warrant Certificate at the Company's expense. Upon such resignation or removal, or any inability of the Warrant Agent to act as such hereunder, the Company shall appoint a new warrant agent in writing. If the Company shall fail to make such appointment within a period of

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fifteen (15) days after such removal or after it has been notified in writing of such resignation by the resigning Warrant Agent, then the Registered Holder of any Warrant Certificate may apply to any court of competent jurisdiction in the State of New York for the appointment of a new warrant agent. Any new warrant agent, whether appointed by the Company or by such a court, shall be a bank or trust company having a capital and surplus, as shown by its last published report to its stockholders, of not less than \$50,000,000 or a stock transfer company. After acceptance in writing of such appointment by the new warrant agent is received by the Company, such new warrant agent shall be vested with the same powers, rights, duties, and responsibilities as if it had been originally named herein as the Warrant Agent, without any further assurance, conveyance, act, or deed and the former Warrant Agent shall deliver and transfer to the successor warrant agent any property at the time held by it hereunder; but if for any reason it shall be necessary or expedient to execute and deliver any further assurance, conveyance, act, or deed, the same shall be done at the expense of the Company and shall be legally and validly executed and delivered by the resigning Warrant Agent. Not later than the effective date of any such appointment, the Company shall file notice thereof with the resigning or removed Warrant Agent and shall forthwith cause a copy of such notice to be mailed to the Registered Holder of each Warrant Certificate.

Any corporation into which the Warrant Agent or any new warrant agent may be converted or merged or any corporation resulting from any consolidation to which the Warrant Agent or any new warrant agent shall be a party or any corporation succeeding to the trust business of the Warrant Agent shall be a successor warrant agent under this Agreement without any further act, provided that such corporation is eligible for appointment as successor to the Warrant Agent under the provisions of the preceding paragraph. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed to the Company and to the Registered Holder of each Warrant Certificate. If at the time such successor to the Warrant Agent shall succeed to the agency created by this Agreement, any of the Warrants shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the countersignature of the original Warrant Agent and deliver such Warrant so countersigned; and if at the time any of the Warrants shall not have been countersigned, any successor to the Warrant Agent may

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countersign such Warrants in the name of the predecessor Warrant Agent or in the name of the successor Warrant Agent; and, in all such cases, the Warrants shall have the full force provided in the Warrants and in this Agreement.

In any case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrants shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignatures under its prior name and deliver such Warrants so countersigned; and, in case at the time any of the Warrants shall have not been countersigned, the Warrant Agent may countersign such Warrants either in its prior name or in its changed name; and, in all such cases, such Warrants shall have the full force provided in the Warrants and in this Agreement.

The Warrant Agent, its subsidiaries and affiliates, and any of its or their officers or directors, may buy and hold or sell Warrants or other securities of the Company and otherwise deal with the Company in the same manner and to the same extent and with like effects as though it were not the

Warrant Agent. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company if so authorized by the Company or for any other legal entity.

16. MODIFICATION OF AGREEMENT. The Warrant Agent and the Company may by supplemental agreement make any changes or corrections in this Agreement (a) that they shall deem appropriate to cure any ambiguity or to correct any defective or inconsistent provision or manifest mistake or error herein contained; or (b) that they may deem necessary or desirable and which shall not adversely affect the interests of the Holders of Warrant Certificates; PROVIDED, HOWEVER, that this Agreement shall not otherwise be modified, supplemented, or altered in any respect except with the consent in writing of the Registered Holders of Warrant Certificates representing not less than fifty percent (50%) of the Warrants then outstanding; and PROVIDED, FURTHER, that no change in the number or nature of the securities purchasable upon the exercise of any Warrant, or the Purchase Price therefor, or the acceleration of the Warrant Expiration Date, shall be made without the consent in writing of the Registered Holder of the Warrant Certificate representing such Warrant, other than such changes as are specifically prescribed by this Agreement as originally executed or are made in compliance with applicable law.

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17. NOTICES. All notices, requests, consents, and other communications hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first class registered or certified mail, postage prepaid as follows: if to the Registered Holder of a Warrant Certificate, at the address of such Holder as shown on the registry books maintained by the Warrant Agent; if to the Company, 48 Union Street, Stamford, CT 06909, Attention: President, or at such other address as may have been furnished to the Warrant Agent in writing by the Company; and if to the Warrant Agent, at its corporate office.

18. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

19. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent, and their respective successors and assigns, and the holders from time to time of Warrant Certificates. Nothing in this Agreement is intended or shall be construed to confer upon any other person any right, remedy, or claim, in equity or at law, or to impose upon any other person any duty, liability, or obligation.

20. TERMINATION. This Agreement shall terminate on the Warrant Expiration Date or such earlier date upon which all Warrants have been exercised, except that the Warrant Agent shall account to the Company for cash held by it and the provisions of Section 15 hereof shall survive such termination.

21. COUNTERPARTS. This Agreement may be executed in several counterparts, which taken together shall constitute a single document.

22. CAPTIONS. The captions of the sections and subsections of this Agreement have been inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

23. CERTAIN TERMINOLOGY. As used herein, the singular number shall include the plural, the plural shall include the singular, and the use of any gender shall include all genders. Except where the context otherwise requires, references to "this section" or words of similar import shall be deemed to refer to the entire

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section and not a particular subsection and references to "hereunder", "herein", "hereof" or words of similar import shall be deemed to refer to the entire Agreement and not the particular section or subsection.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be



duly executed as of the date first above written.

PC411, INC.

By: \_\_\_\_\_  
Name:  
Title:

[WARRANT AGENT]

By: \_\_\_\_\_  
Name:  
Title:

(212) 838-1177

\_\_\_\_\_, 1997

PC411, Inc.  
9800 S. La Cienega  
Inglewood, CA 90301-4440

Dear Sirs:

We have acted as counsel to PC411, Inc., a Delaware corporation (the "Company"), in connection with the preparation of a registration statement on Form SB-2 (the "Registration Statement") filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), to register the offering by (a) the Company of (i) 1,150,000 shares of its common stock, par value \$.01 per share (the "Common Stock") (and the offering of an additional 172,500 shares if the over-allotment option is exercised in full); (ii) 1,150,000 Redeemable Common Stock Purchase Warrants (the "Redeemable Warrants") to purchase shares of Common Stock (and the offering of an additional 172,500 Redeemable Warrants if the over-allotment option is exercised in full); (iii) 1,150,000 shares of Common Stock underlying the Redeemable Warrants (and the offering of an additional 172,500 shares of Common Stock if the over-allotment option is exercised in full); (iv) options (the "Underwriter's Options") to purchase 115,000 shares of Common Stock and 115,000 Redeemable Warrants; (v) 115,000 shares of Common Stock underlying the Underwriter's Options; and (vi) 115,000 shares of Common Stock underlying the Redeemable Warrants which underlie the Underwriter's Options; and (b) certain stockholders of 500,000 shares of Common Stock and 1,000,000 Redeemable Warrants and the shares of Common Stock underlying such Redeemable Warrants. We will also act as counsel for any and all amendments to the (a) Registration Statement and (b) any Registration Statements pursuant to Rule 462(b) of the Act for additional shares of Common Stock, Redeemable Warrants, Common Stock underlying the Redeemable Warrants, the Underwriter's Options, shares of Common Stock underlying the Underwriter's Options, the Redeemable Warrants underlying the Underwriter's Options and shares of Common Stock underlying the Redeemable Warrants underlying the Underwriter's Warrants.

In this regard, we have reviewed the Certificate of Incorporation of the Company, as amended, resolutions adopted by the Company's Board of Directors, the Registration

PC411, Inc.  
\_\_\_\_\_, 1997

Statement, the proposed form of the Redeemable Warrants and the Underwriter's Options, the other exhibits to the Registration Statement and such other records, documents, statutes and decisions as we have deemed relevant in rendering this opinion. Based upon the foregoing, we are of the opinion that:

Each share of Common Stock, the Redeemable Warrants, the Underwriter's Options, and each share of Common Stock underlying the Redeemable Warrants and the Underwriter's Options (including the shares of Common Stock underlying the Redeemable Warrants underlying the Underwriter's Option) being offered pursuant to (a) the Registration Statement and all amendments thereto and (b) any Registration Statements pursuant to Rule 462(b) of the Act for additional shares of Common Stock, Redeemable Warrants, Underwriter's Options and the shares of Common Stock underlying the Redeemable Warrants and the Underwriter's Options (including the shares of Common Stock underlying the Redeemable Warrants underlying the Underwriter's Options) (i) have been duly and validly authorized for issuance, (ii) in the case of Common Stock being offered by certain stockholders of the Company, are legally issued, fully paid and non-assessable and (iii) in the case of Common Stock being offered by the Company or upon

exercise of the Redeemable Warrants or the Underwriter's Option, will be legally issued, fully paid and non-assessable when issued as contemplated by the Registration Statement.

We hereby consent to the use of this opinion as Exhibit 5.1 to the Registration Statement and any and all amendments thereto, and any Registration Statements pursuant to Rule 462(b) of the Act for additional shares of Common Stock, Redeemable Warrants, Underwriter's Options and shares of Common Stock underlying the Redeemable Warrants and the Underwriter's Options (including shares of Common Stock underlying the Redeemable Warrants underlying the Underwriter's Options). In giving such opinion, we do not thereby admit that we are acting within the category of persons whose consent is required under Section 7 of the Act or the rules or regulations of the Securities and Exchange Commission thereunder. Members of this firm or their affiliates own an aggregate of 60,000 shares of Common Stock of the Company.

Very truly yours,

MORSE, ZELNICK, ROSE & LANDER, LLP

PC411, INC.  
1997 STOCK OPTION PLAN

1. PURPOSE; TYPES OF AWARDS; CONSTRUCTION.

The purpose of the PC411, Inc. 1997 Stock Option Plan (the "Plan") is to align the interests of executive officers, other key employees and nonemployee directors of PC411, Inc. (the "Company") and its subsidiaries with those of the stockholders of the Company, to afford an incentive to such officers, employees and directors to continue as such, to increase their efforts on behalf of the Company and to promote the success of the Company's business. To further such purposes, the Committee may grant options to purchase shares of the Company's common stock. The provisions of the Plan are intended to satisfy the requirements of Section 16(b) of the Securities Exchange Act of 1934 and of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall be interpreted in a manner consistent with the requirements thereof, as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

2. DEFINITIONS.

As used in this Plan, the following words and phrases shall have the meanings indicated below:

(a) "Agreement" shall mean a written agreement entered into between the Company and an Optionee in connection with an award under the Plan.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Cause," when used in connection with the termination of an Optionee's employment by the Company or the cessation of an Optionee's service as a member of the Board, shall mean (i) the conviction of the Optionee for the commission of a felony, (ii) the willful and continued failure by the Optionee substantially to perform his duties and obligations to the Company or a Subsidiary (other than any such failure resulting from his incapacity due to physical or mental illness), or (iii) the willful engaging by the Optionee in misconduct that is demonstrably injurious to the Company or a Subsidiary. For purposes of this Section 2(c), no act, or failure to act, on an Optionee's part shall be considered "willful" unless done, or omitted to be done, by the Optionee in bad faith and without reasonable belief that his action or omission was in the best interest of the Company. The Committee shall determine whether a termination of employment is for Cause for purposes of the Plan.

(d) "Change in Control" shall mean the occurrence of the event set forth in any of the following paragraphs:

(i) any Person (as defined below) is or becomes the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its subsidiaries) representing 50% or more of the combined voting power of the Company's then outstanding securities; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or a direct or indirect subsidiary thereof with any other

corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its subsidiaries) representing 50% or more of the combined voting power of the Company's then outstanding securities; or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the

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Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

For purposes of this Section 2(d), "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(f) "Committee" shall mean a committee established by the Board to administer the Plan.

(g) "Common Stock" shall mean shares of common stock, par value \$0.01 per share, of the Company.

(h) "Company" shall mean PC411, Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

(i) "Disability" shall mean an Optionee's inability to perform his duties with the Company or on the Board by reason of any medically determinable physical or mental impairment, as determined by a physician selected by the Optionee and acceptable to the Company.

(j) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

(k) "Fair Market Value" per share as of a particular date shall mean (i) if the shares of Common Stock are then listed on a national securities exchange, the closing sales price per share of Common Stock on the national securities exchange on which the Common Stock is principally traded for the last preceding date on which there was a sale of such Common Stock on such exchange, or (ii) if the shares of Common Stock are then traded in an over-the-counter market, the closing bid price for the shares of Common Stock in such over-the-counter market for the last preceding date on which there was a sale of such Common Stock in such market, or (iii) if the shares of Common Stock are not then listed on a national securities ex-

change or traded in an over-the-counter market, such value as the Committee, in its sole discretion, shall determine.

(l) "Incentive Stock Option" shall mean any option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

(m) "Nonemployee Director" shall mean a member of the Board who is not an employee of the Company.

(n) "Nonqualified Option" shall mean an Option that is not an Incentive Stock Option.

(o) "Option" shall mean the right, granted hereunder, to purchase shares of Common Stock. Options granted by the Committee pursuant to the Plan may constitute either Incentive Stock Options or Nonqualified Stock Options.

(p) "Optionee" shall mean a person who receives a grant of an Option.

(q) "Option Price" shall mean the exercise price of the shares of Common Stock covered by an Option.

(r) "Parent" shall mean any company (other than the Company) in an unbroken chain of companies ending with the Company if, at the time of granting an Option, each of the companies other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain.

(s) "Plan" shall mean this PC411, Inc. 1996 Stock Option Plan.

(t) "Retirement" shall mean the retirement of an Optionee in accordance with the terms of any tax-qualified retirement plan maintained by the Company or a Subsidiary in which the Optionee participates. If the Optionee is not a participant in such a plan, such term shall mean the termination of the Optionee's employment or cessation of the Optionee's service as a member of the Board, other than by reason of death, Disability or Cause on or after attainment of the age of 65.

(u) "Rule 16b-3" shall mean Rule 16b-3, as from time to time in effect, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, including any successor to such Rule.

(v) "Subsidiary" shall mean any company (other than the Company) in an unbroken chain of companies beginning with the Company if, at the time of granting an Option,

each of the companies other than the last company in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain.

(w) "Ten Percent Stockholder" shall mean an Optionee who, at the time an Incentive Stock Option is granted, owns (or is deemed to own pursuant to the attribution rules of Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary.

### 3. ADMINISTRATION.

The Plan shall be administered by the Committee, the members of which shall, except as may otherwise be determined by the Board, be "nonemployee directors" under Rule 16b-3 and "outside directors" under Section 162(m) of the Code.

The Committee shall have the authority in its discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Options; to determine which Options shall constitute Incentive Stock Options and which Options shall constitute Nonqualified Stock Options; to determine the purchase price of the shares of Common Stock covered by each Option; to determine the persons to whom, and the time or times at which awards shall be granted; to determine the number of shares to be covered by each award; to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the Agreements (which need not be identical) and to cancel or suspend awards, as necessary; and to make all other determinations deemed necessary or advisable for the administration of the Plan.

The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, including delegating to one or more of the Company's management employees the authority to grant Options to employees who are not "insiders" for purposes of Section 16 of the Exchange Act and who are not "covered employees" for purposes of Section 162(m) of the Code, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. The Board shall have sole authority, unless expressly delegated to the Committee, to grant Options to Nonemployee Directors. All decisions, determination and interpretations of the Committee shall be final and binding on all Optionees of any awards under this Plan.

The Board shall have the authority to fill all vacancies, however caused, in the Committee. The Board may from time to time appoint additional members to the Committee, and may at any time remove one or more Committee members. One member of the Committee

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shall be selected by the Board as chairman. The Committee shall hold its meetings at such times and places as it shall deem advisable. All determinations of the Committee shall be made by a majority of its members either present in person or participating by conference telephone at a meeting or by written consent. The Committee may appoint a secretary and make such rules and regulations for the conduct of its business as it shall deem advisable, and shall keep minutes of its meetings.

No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any award granted hereunder.

#### 4. ELIGIBILITY.

Awards may be granted to executive officers and other key employees of the Company, and its Subsidiaries, including officers and directors who are employees, and to Nonemployee Directors. In determining the persons to whom awards shall be granted and the number of shares to be covered by each award, the Committee shall take into account the duties of the respective persons, their present and potential contributions to the success of the Company and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

#### 5. STOCK.

The maximum number of shares of Common Stock reserved for the grant of awards under the Plan shall be 750,000, subject to adjustment as provided in Section 9 hereof. Such shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Company.

If any outstanding award under the Plan should for any reason expire, be cancelled or be forfeited without having been exercised in full, the shares of Common Stock allocable to the unexercised, cancelled or terminated portion of such award shall (unless the Plan shall have been terminated) become available for subsequent grants of awards under the Plan.

In no event may an Optionee be granted during any calendar year an Option to acquire more than 500,000 shares of Common Stock.

## 6. TERMS AND CONDITIONS OF OPTIONS.

Each Option granted pursuant to the Plan shall be evidenced by an Agreement, in such form and containing such terms and conditions as the Committee shall from time to time approve, which Agreement shall comply with and be subject to the following terms and conditions, unless otherwise specifically provided in such Option Agreement:

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(a) NUMBER OF SHARES. Each Option Agreement shall state the number of shares of Common Stock to which the Option relates.

(b) TYPE OF OPTION. Each Option Agreement shall specifically state that the Option constitutes an Incentive Stock Option or a Nonqualified Stock Option.

(c) OPTION PRICE. Each Option Agreement shall state the Option Price, which shall not be less than one hundred percent (100%) of the Fair Market Value of the shares of Common Stock covered by the Option on the date of grant unless, with respect to Nonqualified Stock Options, otherwise determined by the Committee. The Option Price shall be subject to adjustment as provided in Section 9 hereof. The date as of which the Committee adopts a resolution expressly granting an Option shall be considered the day on which such Option is granted, unless such resolution specifies a different date.

(d) MEDIUM AND TIME OF PAYMENT. The Option Price shall be paid in full, at the time of exercise, in cash or in shares of Common Stock then owned by the Optionee having a Fair Market Value equal to such Option Price or in a combination of cash and Common Stock or, unless the Committee shall determine otherwise, by a cashless exercise procedure through a broker-dealer.

(e) EXERCISE SCHEDULE AND PERIOD OF OPTIONS. Each Option Agreement shall provide the exercise schedule for the Option as determined by the Committee; PROVIDED, HOWEVER, that, the Committee shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate. The exercise period shall be ten (10) years from the date of the grant of the Option unless otherwise determined by the Committee; PROVIDED, HOWEVER, that, in the case of an Incentive Stock Option, such exercise period shall not exceed ten (10) years from the date of grant of such Option. The exercise period shall be subject to earlier termination as provided in Sections 6(f) and 6(g) hereof. An Option may be exercised, as to any or all full shares of Common Stock as to which the Option has become exercisable, by written notice delivered in person or by mail to the Secretary of the Company, specifying the number of shares of Common Stock with respect to which the Option is being exercised.

(f) TERMINATION. Except as provided in this Section 6(f) and in Section 6(g) hereof, an Option may not be exercised unless (i) with respect to an Optionee who is an employee of the Company, the Optionee is then in the employ of the Company or a Subsidiary (or a company or a Parent or Subsidiary company of such company issuing or assuming the Option in a transaction to which Section 424(a) of the Code applies), and unless the Optionee has remained continuously so employed since the date of grant of the Option and (ii) with respect to an Optionee who is a Nonemployee Director, the Optionee is then serving as a member of the Board or as a member of a board of directors of a company or a Parent or Subsidiary company of such company issuing or assuming the Option. In the event that the employment of an Optionee

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shall terminate or the service of an Optionee as a member of the Board shall cease (other than by reason of death, Disability, Retirement or Cause), all Options of such Optionee that are exercisable at the time of such termination



may, unless earlier terminated in accordance with their terms, be exercised within ninety (90) days after the date of such termination or service (or such different period as the Committee shall prescribe).

(g) DEATH, DISABILITY OR RETIREMENT OF OPTIONEE. If an Optionee shall die while employed by the Company or a Subsidiary or serving as a member of the Board, or within ninety (90) days after the date of termination of such Optionee's employment or cessation of such Optionee's service (or within such different period as the Committee may have provided pursuant to Section 6(f) hereof), or if the Optionee's employment shall terminate or service shall cease by reason of Disability or Retirement, all Options theretofore granted to such Optionee (to the extent otherwise exercisable) may, unless earlier terminated in accordance with their terms, be exercised by the Optionee or by his beneficiary, at any time within one year after the death, Disability or Retirement of the Optionee (or such different period as the Committee shall prescribe). In the event that an Option granted hereunder shall be exercised by the legal representatives of a deceased or former Optionee, written notice of such exercise shall be accompanied by a certified copy of letters testamentary or equivalent proof of the right of such legal representative to exercise such Option. Unless otherwise determined by the Committee, Options not otherwise exercisable on the date of termination of employment shall be forfeited as of such date.

(h) Each director of the Company, other than a director who is an officer, employee or beneficial owner of 5% or more of the Company's Common Stock (or an officer, director, employee or affiliate thereof), upon first taking office shall be granted options for 6,000 shares of Common Stock. Options covering 2,000 shares shall be exercisable immediately upon grant and Options covering 2,000 shares shall be exercisable on each of the first and second anniversary of the date of grant.

(i) OTHER PROVISIONS. The Option Agreements evidencing awards under the Plan shall contain such other terms and conditions not inconsistent with the Plan as the Committee may determine, including penalties for the commission of competitive acts.

#### 7. NONQUALIFIED STOCK OPTIONS.

Options granted pursuant to this Section 7 are intended to constitute Nonqualified Stock Options and shall be subject only to the general terms and conditions specified in Section 6 hereof.

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#### 8. INCENTIVE STOCK OPTIONS.

Options granted pursuant to this Section 8 are intended to constitute Incentive Stock Options and shall be subject to the following special terms and conditions, in addition to the general terms and conditions specified in Section 6 hereof. An Incentive Stock Option may not be granted to a Nonemployee Director.

(a) VALUE OF SHARES. The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the shares of Common Stock with respect to which Incentive Stock Options granted under this Plan and all other option plans of any subsidiary become exercisable for the first time by each Optionee during any calendar year shall not exceed \$100,000.

(a)

(b) TEN PERCENT STOCKHOLDER. In the case of an Incentive Stock Option granted to a Ten Percent Stockholder, (i) the Option Price shall not be less than one hundred ten percent (110%) of the Fair Market Value of the shares of Common Stock on the date of grant of such Incentive Stock Option, and (ii) the exercise period shall not exceed five (5) years from the date of grant of such Incentive Stock Option.

#### 9. EFFECT OF CERTAIN CHANGES.

(a) In the event of any extraordinary dividend, stock dividend, recapitalization, merger, consolidation, stock split, warrant or rights issuance, or combination or exchange of such shares, or other similar

transactions, each of the number of shares of Common Stock available for awards, the number of such shares covered by outstanding awards, and the price per share of Options, as appropriate, shall be equitably adjusted by the Committee to reflect such event and preserve the value of such awards; provided, however, that any fractional shares resulting from such adjustment shall be eliminated.

(b) Upon the occurrence of a Change in Control, each Option granted under the Plan and then outstanding but not yet exercisable shall thereupon become fully exercisable.

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#### 10. SURRENDER AND EXCHANGE OF AWARDS.

The Committee may permit the voluntary surrender of all or a portion of any Option granted under the Plan or any option granted under any other plan, program or arrangement of the Company or any Subsidiary ("Surrendered Option"), to be conditioned upon the granting to the Optionee of a new Option for the same number of shares of Common Stock as the Surrendered Option, or may require such voluntary surrender as a condition precedent to a grant of a new Option to such Optionee. Subject to the provisions of the Plan, such new Option may be an Incentive Stock Option or a Nonqualified Stock Option, and shall be exercisable at the price, during such period and on such other terms and conditions as are specified by the Committee at the time the new Option is granted.

#### 11. PERIOD DURING WHICH AWARDS MAY BE GRANTED.

Awards may be granted pursuant to the Plan from time to time within a period of ten (10) years from the date the Plan is adopted by the Board, or the date the Plan is approved by the shareholders of the Company, whichever is earlier, unless the Board shall terminate the Plan at an earlier date.

#### 12. NONTRANSFERABILITY OF AWARDS.

Except as otherwise determined by the Committee, awards granted under the Plan shall not be transferable otherwise than by will or by the laws of descent and distribution, and awards may be exercised or otherwise realized, during the lifetime of the Optionee, only by the Optionee or by his guardian or legal representative.

#### 13. APPROVAL OF SHAREHOLDERS.

The Plan shall take effect upon its adoption by the Board and shall terminate on the tenth anniversary of such date, but the Plan (and any grants of awards made prior to the shareholder approval mentioned herein) shall be subject to the approval of Company's shareholders, which approval must occur within twelve months of the date the Plan is adopted by the Board.

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#### 14. AGREEMENT BY OPTIONEE REGARDING WITHHOLDING TAXES.

If the Committee shall so require, as a condition of exercise of a Nonqualified Stock Option (a "Tax Event"), each Optionee who is not a Nonemployee Director shall agree that no later than the date of the Tax Event, such Optionee will pay to the Company or make arrangements satisfactory to the Committee regarding payment of any federal, state or local taxes of any kind required by law to be withheld upon the Tax Event. Alternatively, the Committee may provide that such an Optionee may elect, to the extent permitted or required by law, to have the Company deduct federal, state and local taxes of any kind required by law to be withheld upon the Tax Event from any payment of any kind due the Optionee. The withholding obligation may be satisfied by the withholding or delivery of Common Stock.

#### 15. AMENDMENT AND TERMINATION OF THE PLAN.

The Board at any time and from time to time may suspend, terminate, modify or amend the Plan; PROVIDED, HOWEVER, that, unless otherwise determined by the Board, an amendment that requires stockholder approval in order for the

Plan to continue to comply with Rule 16b-3, Section 162(m) of the Code or any other law, regulation or stock exchange requirement shall not be effective unless approved by the requisite vote of stockholders. Except as provided in Section 9(a) hereof, no suspension, termination, modification or amendment of the Plan may adversely affect any award previously granted, unless the written consent of the Optionee is obtained.

#### 16. RIGHTS AS A SHAREHOLDER.

An Optionee or a transferee of an award shall have no rights as a shareholder with respect to any shares covered by the award until the date of the issuance of a stock certificate to him for such shares. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Section 9(a) hereof.

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#### 17. NO RIGHTS TO EMPLOYMENT OR SERVICE AS A DIRECTOR.

Nothing in the Plan or in any award granted or Agreement entered into pursuant hereto shall confer upon any Optionee the right to continue in the employ of the Company or any Subsidiary or as a member of the Board or to be entitled to any remuneration or benefits not set forth in the Plan or such Agreement or to interfere with or limit in any way the right of the Company or any such Subsidiary to terminate such Optionee's employment or service. Awards granted under the Plan shall not be affected by any change in duties or position of an employee Optionee as long as such Optionee continues to be employed by the Company or any Subsidiary.

#### 18. BENEFICIARY.

An Optionee may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Optionee, the executor or administrator of the Optionee's estate shall be deemed to be the Optionee's beneficiary.

#### 19. GOVERNING LAW.

The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Delaware.

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PC411, INC.

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LEASE

By this Lease dated July 18, 1995, for reference purposes only, Landlord hereby leases to Tenant the Premises, together with the non-exclusive right to use the Common Areas, upon and subject to the following terms, covenants and conditions:

ARTICLE 1 - BASIC LEASE PROVISIONS

1.1 For purposes of this Lease, certain provisions are defined as follows:

- (a) Landlord: Trizec Properties, Inc., a Delaware corporation.
- (b) Tenant: PC411, Inc., a Delaware corporation.
- (c) Building: 9800 La Cienega Boulevard, Inglewood, California.
- (d) Premises: Suite 411 (as indicated on the location plan attached hereto as Exhibit "A").
- (e) Anticipated Commencement Date: September 1, 1995.
- (f) Termination Date: The last day of the sixtieth (60th) full calendar month after the Commencement Date.
- (g) Permitted Use: Administrative offices for a firm providing on-line computer directory assistance, and other general office use.
- (h) Basic Monthly Rent: Two Thousand Five Hundred Twenty-Nine and 90/100 Dollars (\$2,529.90).
- (i) Initial Security Deposit: Two Thousand Five Hundred Twenty-Nine and 90/100 Dollars (\$2,529.90).
- (j) Proportional Share: .86%
- (k) Base Year: The calendar year 1995.
- (l) Procuring Broker: Westmac Commercial Brokerage Company.
- (m) Parking Allotment: Eleven (11) automobiles.
- (n) Business Hours: 8:00 AM to 6:00 PM, Monday through Friday, excepting holidays generally recognized in the State of California.
- (o) Land: The site upon which the Building, Common Areas and other related improvements, facilities, service areas and equipment are located (as legally described in Exhibit "B" attached hereto).

- (p) Common Areas: Those interior and exterior portions of the Building and such other areas, facilities and equipment serving the Building, which are designated by Landlord for the common use and/or benefit of tenants, tenants' employees, customers and invitees, and/or members of the general public (including, without limitation: lobbies; elevators; stairways; corridors; public washrooms; parking facilities; exterior landscaped areas and walkways; mechanical, plumbing, electrical, fire/life safety, security, utilities and telephone facilities; operating, maintenance, service and storage areas).

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## ARTICLE 2 - TERM

2.1 The Term of this Lease shall commence on the Commencement Date, which shall be the earlier of:

- (a) The date upon which Tenant occupies the Premises for the conduct of business; or
- (b) The later of:
  - (i) The Anticipated Commencement Date; or
  - (ii) The date, as reasonably determined by Landlord, upon which the Leasehold Improvements are substantially complete and the Premises are available for the use and occupancy of Tenant (or would have been so available, but for delay caused by Tenant), regardless of Tenant's completion of installation of Tenant's trade fixtures, work stations, furnishings and telephone, communication or computer systems;

and shall terminate on the Termination Date, unless terminated sooner as may be provided elsewhere herein.

2.2 Landlord shall tender possession of the Premises to Tenant and notify Tenant of the Commencement Date by means of a Notice of Lease Term Commencement Date ("NLT") indicating the basis for the Commencement Date. Within seven (7) days after receipt of the NLT, Tenant shall either confirm the Commencement Date by executing and returning the NLT to Landlord, or notify Landlord in writing of any objection to the Commencement Date, or the Commencement Date specified in the NLT shall be deemed conclusive as between Landlord and Tenant.

## ARTICLE 3 - BASIC MONTHLY RENT

3.1 The first installment of Basic Monthly Rent is due upon Tenant's execution of this Lease. All other installments of Basic Monthly Rent are payable in advance on the first day of each calendar month, together with any monthly installments of estimated Tax Rent, Operating Expense Rent and Capital Expense Rent (collectively "Total Monthly Rent"). If the Commencement Date is not the first day of the calendar month, Total Monthly Rent shall be prorated. All amounts due Landlord relating to this tenancy other than Total Monthly Rent ("Additional Rent"), are due and payable within thirty (30) days after receipt of Landlord's invoice. All amounts due Landlord relating to this tenancy are rent, and subject to all remedies of Landlord for nonpayment of rent. Tenant's obligation to pay all amounts owing under this Lease shall survive Tenant's relinquishment of possession to Landlord, or the expiration or early termination of this Lease.

3.2 If Total Monthly Rent is not received by Landlord by the fifth (5th) day of the month in which it is due, or Additional Rent is not received by Landlord within thirty (30) days after receipt of Landlord's invoice, then Tenant shall pay Landlord a "Late Charge" of ten percent (10%) of the unpaid amount. Tenant agrees that Tenant's late payment causes Landlord to incur costs

which are impracticable or extremely difficult to fix, and that the Late Charge is a fair and reasonable estimate of such costs. Landlord's acceptance of a Late Charge shall not constitute a waiver of Tenant's default or interest pursuant to Article 26.8, or prevent Landlord from exercising any of the other rights and remedies of Landlord under this Lease.

3.3 All amounts due Landlord shall be paid by Tenant, without deduction or offset, in lawful money of the United States of America at the office of Landlord or to such other person or at such other place as Landlord notifies Tenant. Landlord reserves the right to require that payments be made by certified check when Tenant is in default hereunder.

#### ARTICLE 4 - TAX RENT

4.1 "Property Taxes" is all costs and expenses which Landlord incurs for real and personal property taxes, or any other assessments upon Landlord's legal or equitable interest in the Land, Building or Common Areas and all or any related facilities and improvements (including, without limitation, leasehold taxes, any non-progressive tax on or measured with respect to gross receipts), whether imposed by a government authority or agency, or by a special assessment district (including districts established for transportation plans, funds or systems), and any reasonable expenses of Landlord in successfully contesting any of the foregoing; excepting any net income, franchise, capital stock, estate or inheritance taxes. Any item of cost or expense included in Property Taxes shall not be included in either Operating Expenses or Capital Expenses.

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4.2 Each successive calendar year of the Term after the Base Year ("Comparison Year"), Tenant shall pay to Landlord the Proportional Share of the amount which the aggregate annual Property Taxes for the Comparison Year exceeds the Property Taxes for the Base Year ("Tax Rent"), as follows. As soon as practical after the beginning of a Comparison Year, Landlord shall estimate Tax Rent for the Comparison Year, which Tenant shall pay in equal monthly installments (underpayment of estimates from the beginning of the Comparison Year to be retroactively due). As soon as practical after the end of a Comparison Year, Landlord shall determine the actual Tax Rent for the Comparison Year and either invoice Tenant for any underpayment, or credit any overpayment to Total Monthly Rent next due (or refund the overpayment to Tenant, if this Lease has terminated). If this Lease does not terminate on the last day of the last Comparison Year, Tax Rent shall be prorated.

4.3 Tenant shall pay any taxes levied upon the personal property or trade fixtures of Tenant. Tenant shall directly and fully reimburse Landlord for any Property Taxes assessed for Alterations made by Tenant which are above-Building standard.

4.4 NOTWITHSTANDING THE PROVISIONS OF ARTICLE 4, IF ANY INTEREST IN THE BUILDING, COMMON AREAS OR LAND IS SOLD, TRANSFERRED OR CONVEYED PRIOR TO THE TERMINATION DATE, TENANT SHALL NOT BE RESPONSIBLE FOR INCREASES IN TAX RENT CAUSED BY SUCH SALE, TRANSFER OR CONVEYANCE; HOWEVER, IF TENANT HOLDS OVER IN THE PREMISES BEYOND THE TERMINATION DATE, THE AMOUNTS OWED LANDLORD DURING SUCH PERIOD OF HOLDING OVER SHALL BE CALCULATED WITHOUT REGARD TO THE FOREGOING LIMITATION.

#### ARTICLE 5 - OPERATING EXPENSE RENT

5.1 "Operating Expenses" is all costs and expenses which Landlord incurs for operating, maintaining, repairing, improving, managing and administering the Land, Building and Common Areas, including, without limitation: the gross wages, fees, benefits and other direct charges of personnel, contractors or consultants rendering services to the Building (prorated to reflect the extent to which such personnel, contractors or consultants perform services which are not related to the Building); costs of utilities and services provided pursuant to Article 9; costs of maintenance performed pursuant to Article 11; parking facility operation, maintenance and management; business licenses or similar licenses or taxes; insurance Landlord provides pursuant to Article 15; the expenses of maintaining a Building management office (including imputed rent); and a management fee of five percent (5%) of gross Building and Common Areas' revenues. Any item of cost or expense included in Operating Expenses shall not be included in either Property Taxes or Capital Expenses.

5.2 Operating Expenses which vary with the occupancy of the Building shall be calculated as if the Building were one hundred percent (100%) occupied. Any item of operation, maintenance, repair, improvement, management or administration of the Building provided to or supplied from another building owned or operated by Landlord shall be reasonably allocated between such other building and the Building. Operating Expenses shall not be offset for any revenue derived from operation of the Building or Common Areas, however, Operating Expenses shall exclude costs and expenses of: obtaining new tenants (including leasing commissions, attorneys' fees, and improvements to premises); items for which Landlord is directly reimbursed pursuant to tenant leases or insurance policies of tenants or Landlord; depreciation and amortization; special services or benefits provided to other tenants and not Tenant; violations of this Lease by Landlord; violations by other tenants of their leases; overhead and profit paid to subsidiaries or affiliates of Landlord, to the extent same exceeds same if such services were not rendered by a subsidiary or affiliate; principle or interest on debt, or any mortgage; and, ground lease rent (if any).

5.3 For each Comparison Year, Tenant shall pay to Landlord the Proportional Share of the amount, if any, by which the aggregate annual Operating Expenses for the Comparison Year exceeds the Operating Expenses for the Base Year ("Operating Expense Rent"), as follows. As soon as practical after the beginning of a Comparison Year, Landlord shall estimate Operating Expense Rent for the Comparison Year, which Tenant shall pay in equal monthly installments (underpayment of estimates from the beginning of the Comparison Year to be retroactively due). As soon as practical after the end of a Comparison Year, Landlord shall determine the actual Operating Expense Rent for the Comparison Year and either invoice Tenant for any underpayment, or credit any overpayment to Total Monthly Rent next due (or refund the overpayment to Tenant, if this Lease has terminated). If this Lease does not terminate on the last day of the Comparison Year, Operating Expense Rent shall be prorated.

#### ARTICLE 6 - CAPITAL EXPENSE RENT

6.1 "Capital Expenses" is defined as all costs and expenses Landlord incurs (without offset for any revenue derived from any source whatsoever) for making or installing capital improvements, modifications or additions to the Land, Building or Common Areas, which are either:

- (a) Required by directive of a government, quasi-government or regulatory agency or authority pursuant to either a law or statute (or interpretation of same) newly enacted or promulgated after the execution of this Lease; or

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- (b) Made after the execution of this Lease with the intent of reducing Operating Expenses.

Any item of cost or expense included in Capital Expenses shall not be included in either Property Taxes or Operating Expenses.

6.2 For each calendar year during the Term, Tenant shall pay to Landlord the Proportional Share of any Capital Expenses which Landlord amortizes (with interest pursuant to Article 27.8) in such calendar year ("Capital Expense Rent"), as follows. As soon as practical after the beginning of a calendar year (or the Term, if applicable), Landlord shall estimate Capital Expense Rent for the calendar year, which Tenant shall pay in equal monthly installments (underpayment of estimates from the beginning of the calendar year to be retroactively due). As soon as practical after the end of a calendar year, Landlord shall determine the actual Capital Expense Rent for the calendar year and either invoice Tenant for any underpayment, or credit any overpayment to Total Monthly Rent next due (or refund the overpayment to Tenant, if this Lease has terminated). If this Lease does not terminate on the last day of the calendar year, Capital Expense Rent shall be prorated.

6.3 IN DETERMINING WHETHER TO INSTALL OR INVEST IN CAPITAL EXPENSE DEFINED UNDER ARTICLE 6.1(b), LANDLORD SHALL PREPARE A PROJECTION OF THE EXPECTED SAVINGS IN OPERATING EXPENSES WHICH LANDLORD REASONABLY EXPECTS TO RESULT,



UTILIZING REASONABLE CONSERVATIVE ASSUMPTIONS IN ACCORDANCE WITH SOUND MANAGEMENT AND ACCOUNTING PRACTICES (INCLUDING REASONABLE CONTINGENCIES FOR COST OVERRUNS AND FOR SHORTFALLS IN EXPECTED SAVINGS) NET OF ANY CAPITAL EXPENSES AND OPERATING EXPENSES TO BE INCURRED IN THE INSTALLATION, OPERATION AND/OR MAINTENANCE OF THE PROPOSED COST-SAVING DEVICE. IN EACH SUCH EVENT, THE AMOUNT INCLUDED AS A CAPITAL EXPENSE SHALL NOT EXCEED THE SAVINGS IN OPERATING EXPENSES REASONABLY PROJECTED TO RESULT THEREFROM IN ACCORDANCE WITH THIS ARTICLE.

#### ARTICLE 7 - SECURITY DEPOSIT

7.1 The Initial Security Deposit is due upon Tenant's execution of this Lease. During the Term, Tenant shall deposit additional amounts with Landlord so that the total amount held by Landlord ("Security Deposit") is equal to Tenant's then current Total Monthly Rent. The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Lease to be kept or performed by Tenant. Landlord shall not be required to segregate the Security Deposit from its general funds or pay Tenant any interest thereon. The Security Deposit shall not be used by Tenant for payment of last month's rent. Landlord may use, apply or retain all or any part of the Security Deposit for the payment of rent or any other sum in default, or to compensate Landlord for any loss or damage which Landlord has suffered or may suffer due to Tenant's default of this Lease. If Tenant fully and faithfully performs every provision of this Lease to be performed by Tenant, then Landlord shall return to Tenant any Security Deposit which has not been so used, applied or retained within sixty (60) days of the termination of this Lease; however, Landlord may retain such Security Deposit as reasonably necessary to secure any remaining obligations of Tenant under Articles 4, 5 and 6, which Tenant acknowledges cannot be fully ascertained until as soon as practical after the end of the Comparison Year (or calendar year). Tenant waives application of the provisions of California Civil Code section 1950.7 to the extent contrary to the foregoing.

#### ARTICLE 8 - USE

8.1 Tenant shall use the Premises solely for the Permitted Use and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord. Tenant shall not use or occupy the Building, Common Areas or Premises in a manner which: is a violation of any law or certificate of occupancy; is a nuisance; obstructs, injures or interferes with the rights of other tenants or occupants of the Building; invalidates or increases the cost of any insurance policy described in Article 15; or violates rules, orders, regulations and requirements of any insurance fire rating bureau. The Premises shall not be used for any lodging, sleeping or unlawful purpose. Tenant shall, at Tenant's sole cost and expense, comply with all directives, orders and regulations of any government authority which concern Tenant's particular use, design, specification or construction of the Premises (as compared to compliance generally required throughout the Building, in which case recovery of costs may be subject to Article 6).

#### ARTICLE 9 - UTILITIES AND SERVICES

9.1 Landlord shall provide Tenant with the following (collectively "Services"): twenty-four (24) hour access to and use of the Premises and Common Areas reasonably necessary for use of the Premises; reasonable quantities of electric current for receptacles; automated elevator service; standard fluorescent lighting; heat, ventilation, and air conditioning for the comfortable use and occupation of the Premises during Business Hours; reasonable access to and use of intra-Building telephone network cabling; and janitorial and security services to the extent and during such times as are determined by Landlord. Notwithstanding the foregoing, Landlord may change the Services, provided such changes are reasonable and nondiscriminatory, or are made to comply with any government restriction, requirement or standard. Landlord may REASONABLY AND PRUDENTLY restrict Services as Landlord deems reasonable during any invasion, mob, riot, public excitement or other similar circumstance.

9.2 Tenant shall pay Landlord's reasonable charge for any Services not required to be provided to the Premises. Modifications to Services or Leasehold Improvements (including metering) required due to concentration of personnel or

office equipment, or the use of office equipment that generates unusual heat or consumes unusual amounts of electricity shall be made at Tenant's sole cost and expense.

#### ARTICLE 10 - PARKING LICENSE

10.1 Landlord grants Tenant a revocable license to park, in common with other tenants, up to Tenant's Parking Allotment of automobiles in the parking facilities of the Building at Landlord's scheduled parking rates. Tenant shall observe all rules and regulations for use of the parking facilities and otherwise use the parking facility in a safe and lawful manner. No estate is conveyed to Tenant and no bailment is created hereunder. Landlord is not responsible for theft, loss or damage to automobiles or other personal property in connection with Tenant's use of the parking facility. Landlord may revoke this license with respect to any individual using the parking facility through Tenant that violates the terms of this Article. Tenant's license shall otherwise expire upon the termination of this Lease.

#### ARTICLE 11 - REPAIRS

11.1 Tenant shall, at Tenant's sole cost and expense, keep in good condition and repair the non-structural portions of the Premises (including, without limitation, interior partitions and glass panels, carpeting, wall coverings and kitchen facilities) and any mechanical, intra-Building telephone network cabling, fire/life safety, electrical or HVAC systems ("Building Systems") which are above-Building standard and installed to exclusively serve the Premises. All work related to (including connections with) Building Systems shall be performed by Landlord's approved subcontractors. Upon termination of this Lease, Tenant shall relinquish possession of the Premises to Landlord in the same condition as received, ordinary wear and tear excepted, free of all trash and rubbish, and in broom clean condition.

11.2 Landlord shall repair and maintain the Common Areas, structural portions of the Building, and Building Systems generally serving the Building. Provided Landlord uses commercially reasonable efforts to minimize interference with Tenant's use of the Premises, Landlord may install, repair and maintain plumbing, electrical, HVAC and other mechanical systems above the ceiling, below the floor, within the walls and central core, and temporarily restrict access to the Building, Common Areas and Premises to do so. Tenant waives any right to make repairs at Landlord's expense pursuant to California Civil Code section 1942 or any similar law, statute or ordinance.

#### ARTICLE 12 - ENTRY BY LANDLORD

12.1 With reasonable prior notice, Landlord shall have the right to inspect, show, repair, maintain or improve the Premises. No prior notice shall be required in an Emergency (which is any circumstance which threatens or endangers the Building, or health or property of Landlord or any occupant, or may result in a liability or loss to Landlord) for Landlord to supply regular Services or to post legal notices. Landlord shall have keys to all doors in the Premises, and Tenant shall not change locks on any doors without Landlord's prior written consent.

#### ARTICLE 13 - ALTERATIONS

13.1 "Alterations" is defined as any alteration, addition, decoration or improvement to the Premises made by Tenant (excepting Leasehold Improvements and hanging of artwork). Landlord's prior written consent is required for all Alterations. Tenant shall give Landlord ten (10) days' prior written notice of all proposed Alterations and provide Landlord with any working drawings or specifications, estimated costs, the identity of the qualified, licensed contractor proposed to perform the work, and said contractor's certificates of insurance (including reasonable amounts of liability/property damage, product liability and Workers Compensation insurance). Landlord shall, within said ten (10) day period, notify Tenant if Tenant will be required to either: remove the proposed Alterations at the end of the Term and restore the Premises; obtain the consent of any lender or ground lessor; provide Landlord evidence of all required permits; obtain a lien and completion bond; name Landlord as an

additional insured; use another contractor reasonably acceptable to Landlord (Tenant to use Landlord's designated contractors for work relating to Building Systems); perform the Alterations at particular times, in a particular manner or under Landlord's supervision; or provide additional information regarding same. All Alterations shall comply with all laws, rules and/or directives of any government or regulatory agency or authority. Tenant shall keep the Land, Building and Premises free from any liens resulting from work performed, materials furnished or obligations incurred by, or on behalf of Tenant.

13.2 Landlord may require Tenant to immediately remove any Alterations not made in accordance with this Article, and restore the Premises. Unless Landlord requires Tenant to do so in accordance with Article 13.1, Tenant shall not be required to remove Alterations at the end of the Term. All permanent improvements to the Premises, excepting Alterations Landlord requires Tenant to remove at the end of the Term and trade fixtures, shall become the property of Landlord upon the termination of this Lease and shall be relinquished with the Premises. Tenant shall reimburse Landlord for all reasonable costs and expenses of reviewing and/or supervising Alterations (including, without limitation, review of plans or work by Landlord's architect, engineer or other consultant) or removing Alterations on behalf of Tenant (if Tenant is required to so remove the Alterations, and fails to do so), plus pay a supervision fee to Landlord in the amount of ten percent (10%) of the cost of such work.

#### ARTICLE 14 - HAZARDOUS MATERIALS

14.1 "Hazardous Materials" is defined as any substance, material, emission, discharge or waste defined as "hazardous", "toxic", or a "pollutant" or "contaminant" under any local, state or federal government law, statute, code, order or regulation for the protection of health, safety or the environment. Landlord and Tenant shall comply with all laws concerning Hazardous Materials and handling, storage and disposal thereof. Tenant shall neither create, bring into nor store in the Building, Common Areas or Premises any Hazardous Materials.

#### ARTICLE 15 - INSURANCE

15.1 Landlord shall, throughout the Term, provide, maintain and keep in force: (a) commercial general liability insurance; (b) all risk insurance or fire insurance (with standard extended coverage endorsement perils, leakage from fire protection devices and water damage) covering the Building and all fixed improvements therein, the Leasehold Improvements and Building standard Alterations (excepting those items Tenant is required to insure pursuant to Article 15.2, subparagraphs [b] through [d]); (c) insurance for loss of rental income or insurable gross profits in such amounts as Landlord prudently elects to maintain; and (d) such other insurance (including boiler and machinery insurance) as Landlord prudently elects to maintain. Insurance under subparagraphs (a), (c) and (d) shall be in such amounts, with such deductibles and exclusions and/or such other terms and conditions as Landlord prudently determines to be commercially reasonable and sufficient.

15.2 Tenant shall, during the Term, provide, maintain and keep in force: (a) commercial general liability insurance with respect to Tenant's use and occupancy of the Premises, Common Areas and Building, and the business carried on by Tenant therein, with limits of not less than ONE MILLION DOLLARS (\$1,000,000.00) for any one accident or occurrence, with Landlord named as an additional insured; (b) all risk or fire insurance (with standard extended coverage endorsement perils, theft, vandalism, explosion, falling plaster, steam, gas, electricity, water, rain, elements of nature, water damage or dampness, and leakage from any part of the Building or Land, including fire protection devices, pipes, appliances and other plumbing) covering the full replacement cost of Tenant's trade fixtures, furnishings, equipment, inventory, stock-in-trade, personal property and above-Building standard Alterations; (c) insurance for loss of income or insurable gross profits in such amounts as Tenant prudently determines is commercially reasonable and sufficient; and (d) workers' compensation insurance.

15.3 With regards to insurance coverage required pursuant to Article 15.1(b), (c) and (d), and Article 15.2(b) and (c): each such policy of Landlord or Tenant shall include a clause or endorsement whereby the insurer waives its

right of subrogation against the other party; and, Landlord and Tenant waive any rights of recovery against each other for injury or loss due to hazards required to be covered by such insurance. During the Term, Tenant shall provide Landlord with certificates or other proof necessary to verify that all required insurance, clauses and endorsements have been obtained and are in full force and effect. Each of Tenant's policies shall contain an undertaking by the insurer to advise Landlord prior to any material change, reduction or cancellation thereof.

#### ARTICLE 16 - INDEMNIFICATION

16.1 Subject to the waivers of subrogation and liability set forth in Article 15.3, Tenant shall indemnify and hold Landlord harmless from and against any and all liability, loss, claims, demands, damages or expenses, including attorneys' fees, whether for personal injury, theft, property damage or otherwise, due to or arising from: the negligence or willful misconduct of Tenant, its servants, employees, agents, contractors, invitees, concessionaires or licensees, or those over whom Tenant would normally be expected to exercise control, whether in or about the Land, Building, Common Areas, Premises, or parking facility; any claim that may be asserted against Landlord by any person or entity other than Procuring Broker who claims a right to compensation for brokerage services in regards to Tenant; HAZARDOUS MATERIALS BROUGHT ONTO THE LAND, BUILDING, COMMON AREAS OR PREMISES BY TENANT; or Tenant's breach or non-performance of any provision of this Lease. If any action or proceeding is brought against Landlord by reason of any such claim, Tenant, upon notice from the Landlord, shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord.

16.2 Subject to the waivers of subrogation and liability set forth in Article 15.3, Landlord shall indemnify and hold Tenant harmless from and against any and all liability, loss, claims, demands, damages or expenses, including attorneys' fees, whether for personal injury, theft, property damage or otherwise, due to or arising from: the negligence or willful misconduct of Landlord, its servants, employees, agents, contractors, invitees, concessionaires or licensees, or those over whom Landlord would normally be expected to exercise control, whether in or about the Land, Building, Common Areas, Premises, or parking facility; HAZARDOUS MATERIALS EITHER EXISTING IN OR ABOUT, OR BROUGHT ONTO BY LANDLORD, THE LAND, BUILDING, COMMON AREAS OR PREMISES (EXCEPTING THOSE HAZARDOUS MATERIALS BROUGHT ONTO THE LAND, BUILDING, COMMON AREAS OR PREMISES BY TENANT); or Landlord's breach or non-performance of any provision of this Lease. If any action or proceeding is brought against Tenant by reason of any such claim, then Landlord, upon notice from Tenant, shall defend the same at Landlord's expense by counsel reasonably satisfactory to Tenant.

#### ARTICLE 17 - DAMAGE OR DESTRUCTION

17.1 If any portion of the Land, Building, Common Areas or Premises reasonably necessary for Tenant's access, use or occupancy of the Premises is damaged or destroyed by any cause (the "Damage Event"), then within thirty (30) days after the Damage Event, Landlord shall reasonably estimate how long repairs will take and notify Tenant of same. If in Landlord's reasonable opinion repairs can be completed within one hundred twenty (120) days after the Damage Event and the Damage Event occurred prior to the last year of the Term, Landlord shall repair same during which time this Lease shall remain in full force and effect (subject to Article 19). If in Landlord's reasonable opinion repairs cannot be completed within one hundred twenty (120) days after the Damage Event, the Damage Event occurred during the last year of the Term, or the Damage Event is not insured, Landlord may either repair same during which time this Lease shall remain in full force and effect (subject to Article 19) or terminate this Lease upon at least thirty (30) days' prior written notice to Tenant (subject to Article 19). Landlord's obligation to repair the Premises shall only extend those items required to be insured by Landlord pursuant to Article 15.1(b), unless Tenant assigns to Landlord the proceeds of any insurance required pursuant to Article 15.2(b) with respect to above-Building standard Alterations and pays to Landlord any deductible under such policy. Tenant hereby waives application of California Civil Code sections 1932(2) and 1933(4).

#### ARTICLE 18 - EMINENT DOMAIN

18.1 If all or any portion of the Land, Building, Common Areas or Premises is taken for any public or quasi-public purpose by any lawful power or authority by exercise of the right of appropriation, condemnation or eminent domain, or

sold in lieu of such taking ("Taking"), then if the Taking substantially interferes with Tenant's use and occupancy of the Premises, this Lease shall terminate on the date of Taking. If the Taking does not substantially interfere with Tenant's use and occupancy of the Premises, Landlord may either terminate this Lease or, after the Taking, restore the Premises to substantially the same condition prior thereto. Tenant shall not assert any claim for any interest in this Lease; however, Tenant shall be entitled to bring a separate action for relocation expenses, and damages to Tenant's personal property, trade fixtures and goodwill. Tenant hereby waives application of California Code of Civil Procedure section 1265.130.

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#### ARTICLE 19 - INTERRUPTION OF USE

19.1 If a Damage Event (under Article 17), Taking (under Article 18), failure of Landlord to provide Services (under Article 9), failure of Landlord to repair or maintain the Building or Common Areas (under Article 11), or failure of Landlord to comply with Article 14 (collectively "Interruption") substantially adversely affects Tenant's use or prevents reasonable access to the Premises for a period greater than THREE (3) CONSECUTIVE BUSINESS DAYS, then Tenant's Total Monthly Rent shall be abated to the extent that the Premises is rendered unusable for the conduct of Tenant's business therein, for the period of time so rendered unusable, unless the Premises has been rendered unusable due to Tenant's failure to comply with this Lease. If the Interruption is reasonably estimated by Landlord to exceed one hundred eighty (180) days, then Tenant may, within thirty (30) days after the Interruption, elect to terminate the Lease upon thirty (30) days' prior written notice. Notwithstanding the foregoing, this Lease shall not be terminated if Landlord takes action within said thirty (30) days' notice period which will result in the restoration of Tenant's reasonable access to, and use of the Premises within said one hundred eighty (180) days' period.

#### ARTICLE 20 - SUBORDINATION

20.1 Without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination, this Lease shall at all times be subject and subordinate to any liens of any mortgages or deeds of trust, or ground or underlying leases which now exist or may hereafter be executed or placed effecting the Land and/or Building, or upon Landlord's interest or estate therein. If any ground lease or underlying lease is terminated for any reason, any mortgage, deed of trust or lien is foreclosed, or the Land or Building is conveyed in lieu of foreclosure, then Tenant shall attorn to and become the tenant of Landlord's successor in interest and Tenant's right to possession of the Premises shall not be disturbed, provided Tenant is not in default and continues to perform and observe all of the terms, conditions and covenants of this Lease. Tenant shall execute and deliver any instrument which may be required by any such ground lessor, lender, mortgagee, lienholder or encumbrancer evidencing such subordination within ten (10) days after receipt of Landlord's written request.

20.2 Tenant shall, within ten (10) days after receipt of Landlord's written request, execute, acknowledge and deliver to Landlord a statement in writing setting forth that this Lease is unmodified (or, if modified, the nature of such modification) and is in full force and effect, the extent to which rental or other charges have been prepaid, and that Landlord, to Tenant's knowledge, has not failed to cure any default of Landlord of this Lease (or specifying such uncured defaults, if any are claimed). Tenant acknowledges that such statement may be relied upon by a prospective purchaser or encumbrancer of all or any portion of the Land, Building or Premises.

#### ARTICLE 21 - BUILDING PLANNING

21.1 LANDLORD SHALL HAVE THE RIGHT TO RELOCATE TENANT TO OTHER PREMISES IN THE BUILDING, OF AN AREA NOT LESS THAN TWO THOUSAND EIGHT HUNDRED RENTABLE SQUARE FEET, SUBJECT TO COMPARABLE CONFIGURATION, AND CONTAINING AT LEAST EIGHTY PERCENT (80%) OF THE EXTERIOR WINDOW AREA OF THE PREMISES (THE "RELOCATION PREMISES") UPON NINETY (90) DAYS' PRIOR WRITTEN NOTICE. NOTWITHSTANDING THE FOREGOING, TENANT MAY WITHIN THIRTY (30) DAYS AFTER RECEIPT OF SUCH RELOCATION NOTICE TERMINATE THIS LEASE, SUCH TERMINATION TO BE EFFECTIVE ON A DATE SPECIFIED BY TENANT NOT LATER THAN THE END OF SAID NINETY (90) DAY NOTICE

PERIOD. IF TENANT DOES NOT EXERCISE TENANT'S RIGHT TO TERMINATE THE LEASE, THEN IN CONNECTION WITH TENANT'S RELOCATION:

- (a) LANDLORD SHALL CONSTRUCT, AT LANDLORD'S SOLE COST AND EXPENSE, PERMANENT IMPROVEMENTS IN THE RELOCATED PREMISES OF A COMPARABLE QUALITY AND CONFIGURATION AS THOSE THEN EXISTING IN THE PREMISES, INCLUDING, WITHOUT LIMITATION, ANY ABOVE-STANDARD IMPROVEMENTS, DEDICATED CIRCUITS, WALL COVERINGS, DOOR SIGNS, DIRECTORY SIGNS, SUPPLEMENTAL AIR CONDITIONING UNITS, BUILT-IN CABINETS, AND COMMUNICATIONS AND COMPUTER CABLING THEN EXISTING IN THE PREMISES. TENANT SHALL COOPERATE AND PARTICIPATE IN DETERMINING THE CONFIGURATION, TYPE AND FINISH OF SAID IMPROVEMENTS IN ORDER THAT THE IMPROVEMENTS MAY BE COMPLETED AND TENANT MAY TAKE POSSESSION OF THE RELOCATED PREMISES AT THE END OF SAID NINETY (90) DAY PERIOD, OR AS SOON THEREAFTER AS POSSIBLE.
- (b) LANDLORD SHALL PAY THE REASONABLE DIRECT COSTS OF MOVING AND REINSTALLING TENANT'S FURNISHINGS, SUPPLIES, INVENTORY, OFFICE EQUIPMENT, RAISED FLOORING, COMPUTER EQUIPMENT, DATABASE SERVERS, STORAGE SYSTEMS, TELEPHONE SYSTEMS, POWER SUPPLY SYSTEMS, SUPPORTING COMMUNICATION SERVERS AND MODEMS, AND ALL RELATED EQUIPMENT AND OTHER TRADE FIXTURES TO THE RELOCATED PREMISES. LANDLORD SHALL USE LANDLORD'S BEST COMMERCIALY REASONABLE EFFORTS TO PERFORM SUCH RELOCATION IN A MANNER WHICH WILL MINIMIZE INTERRUPTION OF TENANT'S BUSINESS; HOWEVER, UNDER NO CIRCUMSTANCE WILL LANDLORD BE REQUIRED TO PURCHASE ANY EQUIPMENT OR SYSTEMS TO DUPLICATE THOSE EXISTING IN THE PREMISES TO PREVENT ANY SUCH INTERRUPTION.

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- (c) LANDLORD SHALL PAY FOR THE REASONABLE COST OF REPRINTING TENANT'S STATIONERY OR OTHER BUSINESS MATERIALS WHICH DISPLAY THE ADDRESS OF THE PREMISES (NOT TO EXCEED TENANT'S THEN EXISTING INVENTORY OF THE SAME).

21.2 IF THE USABLE AREA OF THE RELOCATED PREMISES IS LESS THAN THE USABLE AREA OF THE PREMISES, THEN TENANT'S TOTAL MONTHLY RENT AND PROPORTIONAL SHARE SHALL BE REDUCED ACCORDINGLY. UNDER NO CIRCUMSTANCES WILL TENANT'S TOTAL MONTHLY RENT FOR THE RELOCATION PREMISES EXCEED THAT WHICH WOULD HAVE BEEN PAYABLE IN THE PREMISES. EXCEPT AS EXPRESSLY PROVIDED HEREIN, OR EXCEPT AS MAY BE CAUSED BY LANDLORD'S NEGLIGENCE OR WILLFUL MISCONDUCT, LANDLORD SHALL NOT BE LIABLE TO TENANT FOR ANY COSTS, EXPENSE OR DAMAGE WHICH MAY ARISE FROM LANDLORD'S RELOCATION OF TENANT (INCLUDING, WITHOUT LIMITATION, COSTS RELATED TO TIME SPENT BY TENANT OR TENANT'S AGENT IN COOPERATING IN THE DESIGN AND CONSTRUCTION OF IMPROVEMENTS, LOSS OF PRODUCTIVITY, BUSINESS OR INCOME, OR ANY TASK, COST OR EXPENSE VOLUNTARILY UNDERTAKEN BY TENANT WITHOUT LANDLORD'S PRIOR WRITTEN AGREEMENT TO REIMBURSE TENANT.

21.3 LANDLORD REPRESENTS THAT AT THE TIME OF MAKING THIS LEASE, LANDLORD HAS NO PRESENT INTENT TO RELOCATE TENANT, AND LANDLORD IS NOT NEGOTIATING WITH ANY EXISTING TENANT OF THE BUILDING TO LEASE THE PREMISES.

## ARTICLE 22 - ASSIGNMENT AND SUBLETTING

22.1 Tenant shall not Assign this Lease without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed. "Assign" or "Assignment" is defined to include: an assignment of the Lease; a sublease of all or any part of the Premises; any permitted occupancy or conduct of business in any or all of the Premises by anyone other than Tenant; Tenant's pledging, sale, transfer, hypothecation or encumbrance of the Lease; Tenant's change in business status or organization; Tenant's dissolution, merger, consolidation or other reorganization; Tenant's sale or other transfer of a controlling share of the voting capital stock of Tenant; and, the sale of fifty-one percent (51%) or more of the interests of Tenant. "Assignee" is defined to include: an assignee; subtenant; or any other person or entity which may claim a right to possession of the Premises by or through Tenant.

22.2 Tenant shall give Landlord thirty (30) days' prior written notice of any proposed Assignment, including the proposed Assignee's name and address, the proposed terms, the proposed use, the proposed Assignee's financial statements, bank and credit references, and such additional information as Landlord may

reasonably require. Within said thirty (30) days, Landlord shall notify Tenant of Landlord's approval or disapproval of the proposed Assignment. Landlord shall also have the right to terminate this Lease either in its entirety or with respect to only that portion of the Premises which Tenant has proposed to Assign (the "Proposed Portion"). If Landlord elects to terminate the Proposed Portion, then Tenant's Total Monthly Rent and Proportional Share shall be reduced accordingly as of the proposed date of the Assignment. Landlord shall make such permanent improvements as may be reasonably necessary to demise the Proposed Portion from the remaining Premises. Tenant shall not be entitled to any portion of the profit which Landlord may realize as a result of any such termination and reletting of the Proposed Portion or the Premises.

22.3 Tenant may retain all rents and other consideration from any permitted Assignment; however, Tenant or any subsequent assignor or sublessor shall not be released from any liability under this Lease as the result of any Assignment. Tenant shall cause Assignee to execute an agreement with Landlord upon a form furnished by Landlord binding Assignee to all the non-monetary terms of this Lease (excepting rights to extend this Lease or expand the Premises, unless so granted by Tenant), and as security for Tenant's obligations under this Lease, Tenant assigns to Landlord the right to collect all rent resulting from any Assignment in the event of Tenant's default and apply such rent to the satisfaction of Tenant's obligations under this Lease. Tenant shall pay a reasonable processing fee to Landlord for each Assignment, not to exceed Five Hundred Dollars (\$500.00).

#### ARTICLE 23 - HOLDING OVER

23.1 Tenant's failure to restore possession of the Premises to Landlord at the end of the Term will cause damage to Landlord which is impracticable or extremely difficult to ascertain. If Tenant holds over after the Term without the prior written consent of Landlord (which Landlord may withhold in its sole discretion, without regard to Article 27.1), then Tenant shall be a tenant-at-sufferance. Tenant shall perform each and every term, condition and covenant of this Lease during any such holding over except that: Tenant shall not be entitled to any parking discounts or special modes of parking during such holding over; and, in lieu of Total Monthly Rent or Additional Rent due under the Lease, for each month or portion thereof which Tenant holds over Tenant shall pay Landlord liquidated damages of ONE HUNDRED FIFTY PERCENT (150%) of the Total Monthly Rent payable by Tenant to Landlord in the last full month of the Term. Nothing herein shall prevent Landlord from exercising any other rights under this Lease or the law to regain possession of the Premises. Acceptance of any payment from Tenant after expiration of this Lease shall not constitute a renewal or extension thereof.

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#### ARTICLE 24 - DEFAULTS

24.1 Tenant shall be in default of this Lease if Tenant fails to pay, within three (3) business days after receipt of written notice from Landlord, any Basic Monthly Rent or Additional Rent, or fails to cure, within thirty (30) days after receipt of notice from Landlord, Tenant's failure to observe any other term of this Lease (however, Tenant shall cure in such shorter time as reasonably necessary due to an Emergency, and if more than thirty [30] days are reasonably required to cure, then no default will have occurred if Tenant commences to cure within the thirty [30] day period and diligently prosecutes same to completion). Landlord may give Tenant a single notice of default inclusive of the requirements of California Code of Civil Procedure section 1161, et seq.

24.2 Landlord shall not be in default or liable to Tenant under this Lease for any failure to observe any term of this Lease, unless Tenant notifies Landlord of such default and Landlord fails to cure same within thirty (30) days after receipt of Tenant's notice (however, Landlord shall cure in such shorter time as reasonably necessary due to an Emergency, and if more than thirty [30] days are reasonably required to cure, then no default will have occurred if Landlord commences to cure within the thirty [30] day period and diligently prosecutes same to completion).

#### ARTICLE 25 - REMEDIES, ATTORNEYS' FEES & WAIVER OF JURY TRIAL

25.1 If Tenant defaults under this Lease, Landlord may avail itself of any remedy available under law in Landlord's sole discretion (without obligation under Article 27.1). No remedy or election hereunder shall be deemed exclusive and, wherever possible, each remedy shall be cumulative with all other remedies. If Tenant abandons the Premises, or Tenant's right to possession is terminated by the Landlord because of a default, and Landlord proceeds under California Civil Code section 1951.2, this Lease shall terminate, and Landlord shall be entitled to recover from Tenant: the worth at the time of award of the unpaid rent which had been earned at time of termination; the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; the worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and any other amount necessary to compensate Landlord for damage caused by Tenant's failure to observe this Lease (or which, in the ordinary course of things would be likely to result therefrom, including, without limitation, any costs of obtaining mitigating rental income, such as excused rent, brokerage commissions, Tenant improvements, parking concessions, lease takeovers, cash payments, advertising, moving costs or any other cost or Tenant concession related to the re-leasing of the Premises upon the default of Tenant). The "worth at the time of award" shall be computed by allowing interest at ten percent (10%) per annum on amounts due prior to award, and discounting amounts due after award at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%).

25.2 If either Landlord or Tenant brings suit to interpret or enforce any provision of this Lease or any rights of either party hereto, then the prevailing party shall recover from the other party all costs and expenses, including reasonable attorneys' fees. Notwithstanding the provisions of California Civil Code section 1717, the term "prevailing party" as used herein shall include, without limitation, both a party as to whom a lawsuit is dismissed (with or without prejudice) without the written consent of that party and, if the lawsuit is one for declaratory relief, that party whose contentions are substantially upheld as to the interpretations of this Lease.

25.3 Landlord and Tenant each hereby waive their respective rights to trial by jury of any cause of action, claim, counterclaim or cross-complaint in any action, proceeding and/or hearing brought by either Landlord against Tenant, or Tenant against Landlord, as to any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, any claim of injury or damage, or the enforcement of any remedy under any law, statute, or regulation, emergency or otherwise, now or hereafter in effect. Notwithstanding the foregoing, Landlord and Tenant agree that this waiver shall not be effective where the legal effect of such waiver would be to invalidate in whole or in part, or to limit or impair in any manner any policy of insurance in force for the benefit of Landlord or Tenant or to limit or impair any rights, remedies or coverage afforded thereunder.

## ARTICLE 26 - NOTICE

26.1 Notice shall be given to Tenant at the Premises. Notice shall be given to Landlord at 15760 Ventura Boulevard, Suite 500, Encino, California 91436-3095. Either party may, by written notice to the other, specify a different address for notice purposes. Any requirement under this Lease to give "notice" or "notify" shall require a writing, delivery thereof evidenced by signed receipt (whether personally delivered, or sent by certified mail or a nationally recognized overnight courier service). Notice given by facsimile transmission shall not be valid unless the party to whom the transmission is addressed acknowledges timely receipt of the transmission in writing. If either party refuses to sign a receipt acknowledging delivery, notice may be given by first-class mail and shall be deemed effective two (2) business days after mailing. Notice from or to any single person or entity executing this Lease as Tenant shall be deemed effective as to all persons or entities executing this Lease as Tenant.

## ARTICLE 27 - GENERAL PROVISIONS



27.1 REASONABLENESS. Except as provided to the contrary herein, if Landlord's or Tenant's discretion or consent is required, such discretion will be reasonably exercised and such consent will not be unreasonably withheld, conditioned or delayed.

27.2 RULES AND REGULATIONS. Tenant shall observe with the Rules and Regulations attached hereto as Exhibit "C", and all reasonable and nondiscriminatory modifications thereto.

27.3 CONFLICT OF LAWS; VENUE. This Lease shall be governed by and construed under the laws of the State of California. Any lawsuit brought by Tenant against Landlord shall be filed in a court of competent jurisdiction in the County of Los Angeles.

27.4 JOINT AND SEVERAL LIABILITY. If more than one person or entity executes this Lease as Tenant: each shall be jointly and severally liable for all obligations of Tenant hereunder; any act or signature by one shall be binding upon all persons or entities constituting Tenant; and, any refund or payment to one shall be effective as to all persons or entities constituting Tenant.

27.5 SUCCESSORS AND ASSIGNS. Except as provided to the contrary herein, each covenant, condition and provision of this Lease shall be binding upon and shall inure to the benefit of the parties hereto, their respective heirs, personal representatives, successors and permissible assigns.

27.6 DEFINITION OF LANDLORD. "Landlord" is defined as and is limited to only the owner at the time in question of the Building (whether pursuant to a fee interest or leasehold interest under a ground lease of the Land). If Landlord transfers, assigns or conveys its interest, Landlord shall be automatically freed and relieved of all liability with respect to the performance of any covenants or obligations in this Lease to be performed from and after the date of such transfer, assignment or conveyance (including return of Security Deposit, provided Landlord transfers all Security Deposit which has not been used, applied or retained prior to such conveyance to Landlord's successor in interest).

27.7 WAIVER; TIME OF THE ESSENCE. A party's waiver of any breach of this Lease shall not be deemed a waiver of any other breach. No custom or practice which develops between the parties shall be deemed a waiver of either party's right to require strict performance hereunder. Time is of the essence.

27.8 INTEREST. Wheresoever interest is required under this Lease, and in lieu of the legal rate to be used in the computation of any interest owed Landlord in any judgment or award of the court, interest shall be charged at the rate of ten percent (10%) per annum.

27.9 ENTIRE AGREEMENT; SEVERABILITY. Except as expressly set forth herein, neither Landlord nor its employees, agents or contractors have made any representation or warranty concerning the Land, Building, Common Areas or Premises, or the suitability of either for the conduct of Tenant's business. This Lease contains the entire agreement of the parties hereto with respect to the tenancy created hereunder and no prior agreement or understanding (whether oral or written, expressed or implied) pertaining to same shall be effective, and this agreement shall be deemed integrated. This Lease may only be modified, amended or added to by an agreement in writing executed by the parties hereto. The use of boldface, italics or underlining are for convenience only, and shall have no effect upon the construction or interpretation of this Lease. If any part of this Lease is declared invalid, void or illegal, the remaining portions of this Lease shall not be impaired or invalidated, and this Lease shall otherwise remain in full force and effect.

27.10 BUILDING NAME; ADVERTISING. Landlord shall have the right to change the name or street address of the Building upon reasonable prior notice to Tenant. All advertisements or other public solicitations concerning the Premises shall require Landlord's prior written approval.

27.11 QUIET POSSESSION. Except as provided to the contrary herein, upon paying the rents reserved hereunder and otherwise observing this Lease,

Tenant shall have quiet possession of the Premises for the Term.

27.12 EXAMINATION AND DELIVERY OF LEASE. Submission of this Lease for examination or signature by Tenant does not constitute a reservation of or option to Lease, and shall not be effective as a Lease or binding legal instrument unless and until execution and delivery by all parties hereto.

27.13 CONFIDENTIALITY. Tenant agrees to keep the terms of this Lease confidential and shall not disclose same to any other person not a party hereto without the prior written consent of Landlord. Tenant shall not record this Lease or a short form memorandum thereof.

#### ARTICLE 28 - LEASEHOLD IMPROVEMENTS

28.1 Tenant shall acquire the Premises in its "as is" condition, and Landlord shall not be required to make any improvements to the Premises, except that Landlord shall construct permanent improvements in the Premises in accordance with the space plans attached hereto as Exhibit "A-1" ("Leasehold Improvements"). Landlord shall engage TriTech Asset Services Group, Inc. ("TriTech") to construct said Leasehold Improvements for a cost not to exceed Thirty Thousand Two Hundred Seven and 23/100 Dollars (\$30,207.23) for the work specified in Exhibit "A-1" (the "Work Cost"). Tenant shall deposit the Work Cost with Landlord, and Landlord shall disburse the Work Cost to TriTech upon Landlord and Tenant's approval of the work. Any balance of the Work Cost deposited with Landlord which is not used by Tenant or subject to a claim by TriTech shall be returned to Tenant upon the completion of TriTech's work in the Premises. If Tenant requests any change to the scope of the Leasehold Improvements which causes the cost of the Leasehold Improvements to exceed the Work Cost, then Tenant shall deposit such additional amounts with Landlord to be disbursed to TriTech as provided hereinabove.

28.2 If TriTech does not substantially complete construction of the Leasehold Improvements by November 15, 1995 (such date to be extended by any Tenant Delay or Force Majeure Delay, as defined below), then Tenant may terminate this Lease, without penalty, upon fifteen (15) days prior written notice to Landlord, and Landlord shall return all Basic Monthly Rent and Security Deposit paid by Tenant to Landlord. Notwithstanding the foregoing, if Landlord substantially completes the Leasehold Improvements within said fifteen (15) day notice period, then this Lease shall not so terminate and shall continue in full force and effect.

28.3 "Tenant Delay" is defined as any delay in the construction of the Leasehold Improvements caused by Tenant's (or its employee's, contractor's or agent's) act or failure to act, including without limitation: requiring changes to approved Space Plans; delay in selection of finishes; specification of a material, finish or installation which is unavailable or requires a lead time substantially exceeding that of comparable products; and, failure to cooperate with Landlord or government authorities having jurisdiction over the work. Notwithstanding the foregoing, Tenant Delay shall be excused to the extent caused by or aggravated by Landlord Delay or Force Majeure Delay.

28.4 "Landlord Delay" is defined as any delay in the construction of the Leasehold Improvements caused by Landlord's (or its employee's, contractor's or agent's) act or failure to act, including without limitation: requiring changes to the approved Space Plans; failure to cooperate with Tenant or government authorities having jurisdiction over the work; and, failure to timely make payments to Landlord's contractors or subcontractors. Notwithstanding the foregoing, Landlord Delay shall be excused to the extent caused by or aggravated by Landlord Delay or Force Majeure Delay.

28.5 "Force Majeure Delay" is defined as any delay in the construction of the Leasehold Improvements resulting from an occurrence beyond the reasonable control of either Landlord or Tenant (or their respective employees, contractors or agents), including without limitation: an act of God or the elements of nature; fire or other casualty; war, riot, insurrection, or public disturbance; a black-out or other interruption of utility services; a strike or other labor disturbance (except to the extent caused by an illegal act of Landlord); changes in government codes or regulations, or the interpretation of same; the unavailability of government permits or approvals within the time customarily available; or a widespread shortage of materials or supplies.

28.6 In all cases in which a delay (or excuse from delay) is claimed, the party claiming delay (or excuse from delay) shall promptly notify the other party in writing of such claim, the date of onset of the delay, and the nature of the delay (or excuse from delay) upon discovering or receiving notice of a delay. If a party who is claimed to have caused a delay takes such action within one (1) business day to abate such delay, then no delay will be deemed to have accrued. In any event, no delay will be deemed to have accrued more than five (5) business days prior to receipt of such notice of delay.

WHEREUPON, THE PARTIES HERETO HAVE EXECUTED THIS LEASE  
ON THE DATES INDICATED

PC411, INC.

Date: 7/19/95

By: /s/illegible

Title: President

By:

Title:

TRIZEC PROPERTIES, INC.

Date: 7/25/95

By: /s/illegible

Title: Asst. CEO

By: /s/illegible

Title:

## PC411 DISTRIBUTION AGREEMENT

DISTRIBUTION AGREEMENT (the "Agreement") between PC411, Inc. ("PC411"), and Hewlett-Packard Company (the "Distributor").

WHEREAS, PC411-Registered Trademark- operates an online directory assistance service (the "Service") and wishes to license its PC411 for Windows software (the "Product") to the Distributor for installation on Vectra 500 personal computers manufactured and sold by the Distributor (such personal computers are hereinafter referred to as "PCs" and the end-users thereof are hereinafter referred to as "Purchasers"), and

WHEREAS, the Distributor manufactures and sells PCs and wishes to make the Service available to Purchasers by pre-loading the Product.

NOW, THEREFORE, PC411 and the Distributor agree as follows:

### 1. Duties of PC411.

1.1 Delivery of Product. PC411 will provide the Distributor with the Product and will provide upgrades to the Product as soon as any such upgrades are released. PC411 will pre-configure the Product for the correct serial port, modem type, and modem speed based upon the Distributor's specifications and will assist the Distributor in testing the Product on the PCs. PC411 will provide technical or other information relating to the Service and the Product as requested by the Distributor. PC411 will provide the Distributor with descriptions, art work, and text and other material relating to the Service and the Product which may be copied by the Distributor for use in the Distributor's promotional, marketing, and descriptive material. The Product provided to the Distributor will be identifiable with one or more serial numbers unique to the Distributor.

1.2 Product Support. During the term of this Agreement and for a period of six months after expiration or termination of this Agreement, PC411 shall:

- (1) if requested by Distributor, provide Distributor with a one day training session on the features, installation, use, marketing and support of the Product (all travel and incidental costs for the training session shall be paid for by the Distributor);
- (2) provide Distributor's customers with PC411's normal complete service support of the Product;
- (3) support Distributor by maintaining a telephone number and technicians to receive calls; and
- (4) support Distributor by receiving bug, error and defect reports from Distributor and promptly fixing or providing workarounds to such bugs, errors and defects.

1.3 Records. PC411 shall maintain complete and accurate records in accordance with generally accepted methods of accounting for all transactions which are the subject of this Agreement. At Distributor's expense and during regular business hours, Distributor or an accounting organization retained by Distributor may examine such records for purposes of auditing the amounts due under this Agreement. If Distributor determines that an additional payment is due, Distributor will issue an invoice for such additional amount with supporting documentation. If a dispute arises over such additional amount, both parties agree to work in good faith toward a mutually agreeable resolution of the dispute. Distributor may perform such audit once per calendar year and will give PC411 15 days notice of its intention to perform an audit. All information gained by Distributor or its authorized representative from such audit shall be deemed confidential and used solely for the purpose of verifying the amounts due under this Agreement.

### 2. Duties of the Distributor.

2.1 Installation. The Distributor will "install" the Product on the hard drives of certain PCs for the U.S. Market. Installation means that the serial port, modem type, and modem speed of the PCs are correctly configured in the Product and that the Product is executable from the Windows Program Manager. The Product will be clearly visible as either a PC411 Program Group Icon or a

PC411 Program Window and in all cases will be no less visible than other similar software applications except for the MSN application provided by Microsoft Corporation. The Distributor will supply PC411 with the necessary technical specifications of each PC model in sufficient time to permit PC411 to configure and test the Product as required under Section 1. During the term of this Agreement, HP may in its sole discretion determine which PCs, if any, will contain the Product.

2.2 Promotion. The Distributor will promote the Service in its promotional and advertising material and will send copies of such material to PC411 prior to publication for review by PC411 so that PC411 may suggest corrections or clarifying language.

### 3. Payment.

3.1 Distribution Fee. PC411 will pay to the Distributor a Distribution Fee and a Bonus Fee for each Purchaser that becomes a Registered Customer. A Registered Customer is a Purchaser that (i) has registered with the Service, (ii) has paid the \$15.00 registration fee, and (iii) has remained registered with the service for 90 days without cancellation. The Distribution Fee will be \$3.00 for each Purchaser that becomes a Registered Customer.

3.2 Bonus Fee. If the number of Registered Customers is equal to or greater than 20,000 by September 1, 1997, then PC411 shall pay the Distributor an additional fee ("Bonus Fee") of \$3.00 per all such Registered Customers existing at the time as well as for each new Registered Customer for the remainder of the term of the Agreement. If the number of Registered Customers is equal to or greater than 10,000 but less than 20,000 by September 1, 1997, then PC411 shall pay the Distributor a Bonus Fee of \$2.00 per all such Registered Customers existing at the time as well as for each new Registered Customer for the remainder of the term of the Agreement. If the number of Registered Customers is less than 10,000 by September 1, 1997, then no additional fees are owed.

3.3 Payment Period. PC411 will commence the payment of the Distribution Fees and Bonus Fees at such time as there are 1,000 Registered Customers. PC411 will pay the Distribution Fee and Bonus Fee within 30 days of the end of each calendar quarter. Each quarterly payment will include a written report calculating the number of Registered Customers and the amounts due under this Agreement. Payment by check and supporting documentation will be mailed to: Hewlett-Packard France, Personal Computer Division, Attention: Philippe Wuest, Finance Manager, 5 avenue Raymond Chanas, Eybens, 38053 Grenoble cedex 9 - France.

4. License. PC411 hereby grants to the Distributor a royalty-free, non-exclusive and non-transferable license which is limited to copying the Product to the hard drives of its PCs and distributing the Product as specified in this Agreement. The Product constitutes licensed, copyrighted material and as such the Distributor specifically agrees not to modify or alter, copy, reproduce or publish in whole or in part, sell, rent, sublicense, distribute, or otherwise transfer or commercially exploit or in any way generate income from the Product except as specifically contemplated by this Agreement. Title and all ownership in the Product shall at all times remain with PC411. All copies of the Product made by the Distributor shall contain the following copyright notice: "Copyright -C- 1996 PC411, Inc." The Distributor agrees not to export the Product outside the United States, except as

authorized and permitted by the laws and regulations of the United States. PC411 hereby grants to the Distributor the right to use the trademark and logo used by PC411 to identify the Product in connection with the Distributor's marketing of the Product.

5. Confidentiality. The terms of this Agreement and any non-public, proprietary information marked as confidential and disclosed by one party to the other constitute confidential information and neither party will disclose or disseminate any confidential information without the permission of the other party. Notwithstanding the foregoing, each party may disclose the existence of this Agreement and descriptions of each party's products or services in its marketing and advertising efforts except that PC411 is not granted any right to use the Distributor's trademark or logo without the prior written consent of the Distributor, which consent shall not be unreasonably withheld.

6. Limitation on Liability. PC411 warrants the media on which the Product is

provided to the Distributor to be free from defects in materials and workmanship. PC411's entire liability and the Distributor's exclusive remedy with respect to such materials or workmanship defect will be the replacement of the media.

PC411 does not warrant that the Service or the Product will meet the requirements of the Distributor or the Distributor's customers or that it will operate in an error free manner. Except as provided herein, PC411 makes no warranty or representation, either express or implied, with respect to the Service or the Product, including its quality, performance, merchantability, or fitness for a particular purpose. In no event will either PC411 or the Distributor be liable for indirect, special, incidental, punitive, exemplary, or consequential damages arising out of the use or inability to use the Service or the Product or the PCs, whether based upon contract, negligence, strict liability, or otherwise, even if advised of the possibility of such damages. Specifically, neither PC411 nor the Distributor are responsible to each other for any costs, including but not limited to those incurred as the result of lost profits or revenue, loss of the use of the Product, loss of data, the cost of recovering such Product or data, the cost of any substitute program, or for other similar costs.

7. Warranties. PC411 represents and warrants to the Distributor that:

- (a) PC411 is the owner of the Product, or has all sufficient rights to grant the license granted in this Agreement, and that the Product does not infringe any patent, copyright, trademark, or other intellectual property or similar rights;
- (b) PC411 has no obligation or restriction that would interfere or be inconsistent with or present a conflict of interest concerning its performance under this Agreement;
- (c) PC411 and the Product comply with all United States laws, statutes, ordinances, administrative orders, rules or regulations that apply to the Product; and
- (d) the Product does not contain any encrypted code which is prohibited by U.S. law for distribution outside the U.S.

8. Indemnification. PC411 agrees to indemnify and hold harmless Distributor from and against any and all damages incurred by Distributor which result from claims by any third party based on any of the following:

- (a) infringement by the Product of any patent, copyright, trademark, trade name, or other intellectual property or similar rights;
- (b) unlawful or unfair trade practices or competition attributable to PC411; and
- (c) breach of any of PC411's warranties set forth in Section 7 above.

9. Termination. This Agreement is effective for three years from the date hereof and thereafter will continue on a quarter to quarter basis unless terminated by either party with 90 days prior written notice to the other party. Upon termination, the Distributor will cease and desist from copying the Product on to PCs. Either party may terminate this Agreement due to breach by the other party upon 30 days written notice.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, as applied to contracts made and performed within the State of California, without regard to principles of conflicts of law. The parties hereto agree to submit to the non-exclusive jurisdiction of the courts of the State of California in any action or proceeding arising out of or relating to this Agreement.

11. Complete Agreement. This Agreement constitutes the entire understanding between the parties with respect to the Product and supersedes all prior or contemporaneous understandings or agreements, written or oral, regarding such subject matter. No amendment to or modification of the Agreement will be binding unless in writing and signed by an officer of PC411 and the Distributor.

12. Notices. All notices and communications under this Agreement shall be in writing and shall be delivered to the parties at the addresses given below until such time as either of the parties shall notify the other as to any change in such address. All notices shall be deemed duly given five days after posting, if sent by registered mail, receipt requested.

Addresses of the parties:

PC411, Inc.	Hewlett-Packard France
Attention: Christopher C. Hansen	Attention: Jacques Clay
9800 S. La Cienega Blvd., Suite 411	5 avenue Raymond Chanas
Inglewood, CA 90301-4440	Eybens
	38053 Grenoble cedex 9 - France

IN WITNESS THEREOF, the parties hereto agree to the foregoing this \_\_\_\_ day of April, 1996.

PC411, Inc.	Hewlett-Packard France
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By: _____	By: _____
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Name: Christopher C. Hansen	Name: Jacques Clay
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Title: President	Title: General Manager
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## DISTRIBUTION AGREEMENT

THIS DISTRIBUTION AGREEMENT ("Agreement") is made this 15th day of April, 1996 by and between U.S. Robotics Access Corp. ("USR"), a Delaware corporation with its principal place of business at 8100 N. McCormick Blvd., Skokie, Illinois 60076, and PC411, Inc. ("Vendor"), a Delaware corporation having its principal place of business at 9800 La Cienega Blvd., Suite 411, Inglewood, California 90301.

### 1. DEFINITIONS

- 1.1. PROGRAM. "Program" means the information, entertainment, communications or other program(s) and any related materials, including computer software programs, described in Exhibit A, attached hereto and incorporated herein, including any upgrades, enhancements, new releases or new versions thereof that Vendor may release.
- 1.2. CD-ROM DEVICE. "CD-ROM Device" means an optical disc storage device containing Programs and using the technology commonly known as compact disc read-only-memory ("CD-ROM") or any subset, format, enhancement or other version of it, whether now known or developed in the future (including but not limited to CDHD, CD-ROM-XA, CD-1, 3D-O, and CDTV).
- 1.3. PRODUCTS. "Products" means USR's "Sportster" line of modems and all successor models to the "Sportster" line. "Products" can also indicate other USR product lines, such as "Courier", "Megahertz", telephony and other communication products as specified herein.
- 1.4. TERRITORY. "Territory" means the United States and Canada.

### 2. GRANT OF RIGHTS

- 2.1. GRANT. Vendor grants to USR the non-exclusive rights, under copyright and otherwise, to copy and duplicate in CD-ROM Devices the Program(s), to advertise those CD-ROM Devices and to market and distribute those CD-ROM Devices in packages of the Products, during the Term and in the Territory, and to authorize USR subsidiaries and affiliates in the Territory to do so. USR may also distribute those CD-ROM Devices to its customers who have previously purchased its products. USR may use wholesalers, distributors, value-added resellers or other third parties to distribute the CD-ROM Devices, and is authorized to use distribution methods including, without limitation, bulk orders, telephone orders, and direct mail orders.
- 2.2. LIMITATION OF RIGHTS. USR's uses of the rights granted in this Agreement will be subject to any restrictions imposed by Vendor's agreements with its licensors and other third parties, as set forth on Exhibit B, attached hereto and incorporated herein. Except as set forth in Exhibit B, as between Vendor and USR, Vendor is the owner of all right, title and interest in and to the Program.

### 3. PAYMENTS

- 3.1. FEES. Vendor shall pay USR the fees set forth in Exhibit C, attached hereto and incorporated herein, for the CD-ROM Devices distributed during the Term, or after expiration or termination of this Agreement pursuant to Section 5.1 herein.
- 3.2. PAYMENT. Vendor will compute and make all payments due USR, accompanied by accounting statements, within thirty (30) days after the end of each quarter for which payments are due.

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- 3.3. RECORDS AND ACCOUNTING. Vendor shall maintain complete and accurate records, in accordance with generally accepted accounting practices, of all amounts payable to USR for three (3) years from the date such amounts are paid to USR. USR or its authorized representative may, at USR's expense, examine Vendor's books and records relating to amounts due to



USR under this Agreement, after the close of each calendar quarter, during Vendor's regular business hours and at the place where the books and records are regularly kept, for the purpose of auditing such books and records, for so long as such books and records are required to be maintained. USR will give the Vendor 15 days notice of its intention to perform an audit. All information gained by USR or its authorized representative from such audit shall be deemed Confidential Information and used solely for the purpose of verifying the accuracy of the payments made to USR hereunder. If USR asserts that additional payment is due, USR will issue to Vendor a written demand for such additional amount with supporting documentation. In the event a dispute arises over amounts due to USR, both parties agree to work in good faith toward a mutually agreeable resolution of the dispute.

- 3.4. MECHANICAL ROYALTIES AND OTHER THIRD PARTY PAYMENTS. Vendor will make all payments to third parties, including without limitation payments to holders of rights (including copyrights) in musical compositions, master recordings, literary material, audio and audiovisual elements, computer software programs, graphics, technology, artwork, photographs, names and likenesses, required by reason of the use of the Program in the duplication, modification or distribution of the CD-ROM Devices.
- 3.5. NO PAYMENTS BY USR. USR shall not be obligated to make any royalty or other payments of any kind to Vendor under this Agreement.

#### 4. DUPLICATION AND CONTENT

- 4.1. DUPLICATION MATERIALS. Vendor will furnish to USR, promptly upon USR's request and at Vendor's expense: (a) any master, duplicating or other materials relating to the Program that USR may require for the manufacture of first class quality CD-ROM Devices suitable for commercial distribution; and (b) any technical assistance and information (including but not limited to copyright, trademark, patent and credit information) that USR requires to duplicate CD-ROM Devices. USR shall be responsible for all costs it incurs respecting such duplication. Vendor will deliver a replacement master to USR within a reasonable period of time after the commercial release of any upgrades, enhancements, new releases or new versions of the Program, and USR will reproduce and distribute this later version of the Program as soon as commercially practicable.
- 4.2. CONTENT OF PROGRAM. Vendor will have the right to design and control the content of the Program, subject to the approval of USR, which shall not be unreasonably withheld.
- 4.3. COMPATIBILITY. Vendor agrees to exert its best efforts to make the Program compatible (a) with USR Products, (b) with Windows 3.11 and up and Windows 95, as those computer programs may be updated in the future, and (c) if Vendor desires that the Program shall be distributed with USR Products for use with Macintosh computers, with System 7.0 and up, as that computer program may be updated in the future.

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- 4.4. ADDITIONAL MATERIALS. Upon agreement of the parties, Vendor may provide additional materials for inclusion with the Programs distributed with the Products. Such materials may include instructional, informational or promotional matter, in printed or electronic media. Vendor shall be responsible for duplication of such materials in sufficient quantities to be included with all copies of the Program being distributed, and shall bear all costs associated with the development and duplication of such materials.

#### 5. TERM AND TERMINATION

- 5.1. TERM, TERMINATION AND POST-TERMINATION SALES. The term of this Agreement (the "Term") shall begin on the date set forth above and shall expire one (1) year from that date. Except in the event Vendor terminates this Agreement for breach by USR pursuant to Section 5.2 below, for six (6) months after the end of the Term, USR may advertise and distribute CD-ROM Devices duplicated or in the process of duplication by USR at the end of the Term.

- 5.2. **TERMINATION FOR BREACH.** If either party materially defaults in the performance of or compliance with any provision of the Agreement and does not cure such default within thirty (30) days after receiving written notice of such breach from the other party, the party giving notice may then give further notice terminating this Agreement, and the rights granted hereunder shall terminate on the date specified in such further notice.
- 5.3. **TERMINATION FOR DISAPPROVAL OF CONTENT.** In the event USR reasonably disapproves the content of the Program pursuant to Section 4.2 hereof and Vendor fails to make corrections to the Program reasonably satisfactory to USR within five (5) days after notice from USR, then USR shall have the right to terminate this Agreement immediately upon further written notice to Vendor.

## 6. ADVERTISING AND PROMOTION

- 6.1. **PERFORMERS.** USR shall have the right to use and authorize others to use the names, likenesses and voices of any performers and other persons who have rendered services in connection with the Programs, and biographical information about them, for advertising and purposes of trade in connection with the CD-ROM Devices and in institutional advertising for USR in all formats, markets and media now known or hereafter devised.
- 6.2. **SYNOPSIS AND EXCERPTS.** USR may use synopses and excerpts from the Program and pre-existing advertising, publicity and promotional materials for the Program, in advertising, promoting and publicizing the CD-ROM Devices in any medium and by any method, and may authorize others to do so, without payment to Vendor.
- 6.3. **TRADEMARKS.** USR shall have the right to use trademarks, trade names, designs and artwork owned, controlled, or distributed by Vendor on the CD-ROM Devices and in packaging, advertising and other marketing materials for them.
- 6.4. **PROMOTION BY VENDOR.** Vendor may advertise and promote the Program at its own expense in any manner it desires; provided, however, Vendor shall provide USR with prior notice and copies of any such advertising or promotional materials that relate specifically to USR or to the distribution of the Program with the CD-ROM Devices.

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## 7. WARRANTIES AND REPRESENTATIONS

- 7.1. **RIGHT TO CONTRACT.** Vendor warrants and represents that it has the right and power to enter into and fully perform this Agreement.
- 7.2. **INFRINGEMENT.** Vendor warrants and represents that the Program and any related materials, including computer software programs, technology, graphics, dramatic, literary, musical, or artistic elements, ideas, or other intellectual properties contained in or furnished by Vendor for use in connection with the Program or the packaging, advertising, promotion or marketing of CD-ROM Devices made from them, or any use of them in accordance with this Agreement, will not violate any law or infringe upon the rights of any person or entity.

## 8. INDEMNIFICATION

- 8.1. **BREACH OF WARRANTY.** Vendor will at all times indemnify and hold USR harmless from and against any and all claims, losses, damages and costs (including without limitation legal expenses and reasonable counsel fees), arising out of any breach by Vendor of any warranty or representation made by Vendor in this Agreement.
- 8.2. **THIRD PARTIES.** Vendor will at all times indemnify and hold USR harmless from and against any and all claims, losses, damages and costs (including without limitation legal expenses and reasonable counsel fees), arising out of any claim of a third party (including Vendor's licensors) respecting the content of the Program or intellectual property rights or

other rights or interest in the Program or revenues generated by the distribution of the Program in the CD-ROM Devices.

## 9. CONFIDENTIALITY

9.1. CONFIDENTIALITY. Each party acknowledges that all information concerning this Agreement is confidential. Each party agrees that it will not permit the duplication, use or disclosure of any such Confidential Information to any person (other than its own employees under this Agreement), unless authorized in writing by the other party. Except as specifically authorized herein, neither party shall use the name(s), trademark(s) or trade name(s) of the other party in publicity releases or advertising or in any other manner, including customer lists, without the prior written approval of the other party, which shall not be unreasonably withheld. Notwithstanding the foregoing, it is understood that Vendor will disclose in one or more press releases that Vendor has entered into the Agreement and that the Program is available on the CD-ROM Device distributed with the Products.

## 10. DISCLAIMER OF WARRANTIES AND LIMITATION OF LIABILITY

10.1. DISCLAIMER OF WARRANTIES. EXCEPT AS SPECIFICALLY SET FORTH ABOVE, NEITHER PARTY MAKES ANY WARRANTIES, AND BOTH PARTIES HEREBY DISCLAIM ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR USE OR PURPOSE.

10.2. LIMITATION OF LIABILITY. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS, REVENUE, DATA, OR USE, INCURRED BY EITHER PARTY OR ANY THIRD PARTY, WHETHER IN AN ACTION IN CONTRACT OR TORT OR BASED ON A WARRANTY, EVEN IF THE OTHER PARTY OR ANY OTHER PERSON HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

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## 11. MISCELLANEOUS

11.1. ASSIGNMENT. Neither party shall transfer, delegate or assign this Agreement or any of its rights or obligations hereunder without the other party's prior written consent except that USR may assign this Agreement without Vendor's consent to an affiliate of USR. This Agreement shall be binding upon and inure to the benefit of USR and Vendor and their respective successors, permitted assigns and legal representatives.

11.2. NOTICES. All notices, requests, demands or other communications required or permitted to be made under this Agreement shall be in writing and shall be either delivered personally, sent by fax (with hard copy to follow), sent by guaranteed prepaid overnight delivery service or mailed by U.S. mail, certified or registered, return receipt requested, with appropriate postage prepaid, in each case to the addressees and/or fax numbers on the first page of the Agreement, (and with respect to items sent to USR, with a copy to U.S. Robotics Corporation, 8100 N. McCormick Boulevard, Skokie, IL 60076, Attn. Legal Department, Fax No. 708/933-5149), or to such other addresses as may be designated in writing by notice given in the manner provided herein. Such notices and communication shall be deemed given (i) upon actual delivery thereof, if delivered by hand, (ii) one (1) business day following overnight delivery service, if delivered by overnight delivery service, (iii) one (1) business day following delivery, if sent by fax and electronic confirmation of complete transmission to the recipient's fax number is obtained by the sender, or (iv) three (3) business days following deposit in the U.S. mail, if sent by mail, whether or not delivery is accepted.

11.3. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Illinois, without giving effect to its conflicts of law principles. Any suit arising out of or relating to this Agreement shall be brought only in the state or federal courts in Chicago, Illinois, unless USR shall select another venue or shall otherwise consent in writing, and Vendor hereby submits to the jurisdiction of such courts in any matter or proceeding arising out

of or relating to this Agreement and hereby waives any objections to venue being in such courts.

11.4. FORCE MAJEURE. Any delay in or failure of performance by either party under this Agreement (other than payment obligations) shall not be considered a breach of this Agreement and shall be excused if and to the extent caused by any occurrence, foreseeable or unforeseeable, beyond the reasonable control of the party affected, including without limitation: acts of God or the public enemy; fire; flood; embargoes; governmental restrictions; strikes or labor difficulties; riots; wars or other military action; civil disorders; shortages of labor, fuel, power, materials, supplies, or transportation; delays in deliveries by suppliers; or any other cause or causes beyond such party's reasonable control.

11.5. INDEPENDENT CONTRACTORS. The parties are not employees or legal representatives of the other party for any purpose. Neither party shall have the authority to enter into any contracts in the name of or on behalf of the other party.

11.6. WAIVER. No term or provision hereof shall be deemed waived and no breach excused unless such waiver or consent shall be in writing and signed by the party claimed to have waived or consented.

11.7. SEVERABILITY. In the event that one or more of the terms, conditions or covenants contained in this Agreement or any portion of them is determined to be unenforceable or invalid, such unenforceability or invalidity shall not affect the enforceability or the validity of the remaining terms, conditions or covenants and portions thereof, and each unenforceable or invalid term, condition or covenant or portion thereof shall be severable from the remainder of this Agreement.

10/28/96

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11.8. ATTORNEYS' FEES. In the event of any controversy, claim or dispute between the parties hereto arising out of or relating to this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party its reasonable expenses including, but not by way of limitation, attorneys' fees.

11.9. REMEDIES CUMULATIVE. No remedy or election under this Agreement shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

11.10. SURVIVAL. The parties' obligations under this Agreement which by their nature are intended to continue beyond the expiration or termination of this Agreement shall survive the expiration or termination of this Agreement, including Sections 3.1, 3.3, 5.1, 8.1, 8.2 and 9.1.

11.11. ENTIRE AGREEMENT. This Agreement, together with Exhibits A through C, constitutes the entire agreement between Vendor and USR and supersedes all proposals, representations and agreements, oral and written, between the parties on this subject. This Agreement may not be amended, except by a writing signed by authorized representatives of each party.

PC411, INC.

U.S. ROBOTICS ACCESS CORP.

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: CHRISTOPHER C. HANSEN Name  
\_\_\_\_\_

Title: PRESIDENT Title  
\_\_\_\_\_

Date: MARCH 26, 1996 Date  
\_\_\_\_\_

## EXHIBIT A

## PROGRAM

The Program, as defined in Section 1.1 of the CD-ROM Distribution Agreement, is described as follows:

The Program means PC411 FOR WINDOWS RELEASE 1.2. The Program was designed for and requires Microsoft Windows version 3.1 or 3.11 for Workgroups. The Program also functions with Microsoft Windows NT, Microsoft Windows 95, and IBM OS/2 Warp version 3.0. The Program requires a personal computer with (i) an Intel 386 series or faster central processing unit, (ii) a minimum of 4 MB of RAM, (iii) 4 MB of available hard disk storage, and (iv) a U.S. Robotics compatible modem. The Program includes but is not limited to the following key files:

- PC411.EXE
- PC411.HLP
- PC411.INI
- WIDGETS.DLL

The above code includes the following key features and functions:

- modem access to the PC411 database of telephone directories
- telephone list management functions such as editing and sorting
- import, export and printing functions
- ten (10) free searches within the first 30 days after registration

The Program and any packaging, installation guides, booklets, advertising or other promotional material furnished under Section 4 or used by either party under Section 6 of the CD-ROM Distribution Agreement will state that the Program requires a "U.S. Robotics compatible" modem.

## EXHIBIT B

## THIRD PARTY RIGHTS

The license grant set forth in section 2.1 of the CD-ROM Distribution Agreement is subject to the following rights and restrictions of Vendor's licensors and other third parties:

The entire contents of the PC411 service are copyrighted as a collective work under the United States Copyright laws. The listings provided by PC411 to its customers are licensed to PC411 by Pro CD, Inc., Danvers, MA ("Pro CD") and are hereby sublicensed to PC411's customers. Title and all ownership in the listings are and shall at all times remain with Pro CD. The listings constitute licensed material and in order to protect them, PC411's customer specifically agrees not to sell, rent, loan, lease, sublicense, assign, distribute, transfer or provide the listings to others and agrees not to transfer the listings to any computer other than a computer employed by such customer.

## EXHIBIT C

## PAYMENTS TO USR

Pursuant to Section 3.1 of the Distribution Agreement, Vendor will pay USR the following amount(s) for all New Customers. A New Customer is defined as an individual or entity residing in the United States or Canada who purchases the product, license, subscription or service ("Purchase") offered by Vendor through the Program(s) distributed in the CD-ROM Devices and who remains a paying customer for at least sixty (60) consecutive days after the date of Purchase or after the end of any initial free trial period offered by Vendor.

ANNUITY (COMMISSION). Vendor will pay USR a commission equal to thirty-five percent (35%) of the Net Service Revenues (as defined herein) received from each New Customer for use of the Vendor's service for a period of three (3) years from the date of purchase by each New Customer. If fifteen months after the date first set forth above the number of New Customers exceeds 200,000, then the amount(s) payable thereafter will be increased to 40% of the Net Service Revenues. Net Service Revenues include all revenues earned from use of the Product less any returns, refunds or credits issued to the New Customers.

## LICENSE AGREEMENT NUMBER PCC960096

This agreement and its attachments, which are hereby incorporated by this reference, ("Agreement") is entered into by and between PC411, Inc. ("PC411"), and International Business Machines Corporation ("IBM") and is made effective as of March 11, 1996. Now therefore, in consideration of the mutual provisions contained herein, PC411 and IBM (the "Parties") agree to the following terms and conditions.

### 1.0 PURPOSE

The purpose of this Agreement is to set forth the terms and conditions pursuant to which PC411 shall license the "Program."

### 2.0 DEFINITIONS

The singular and plural uses of the capitalized terms listed below will have the following meanings in this Agreement.

2.1 "PROGRAM" shall mean PC411's Program described in Attachment 1, "Program Description" that includes (a) statements or instructions that are in the form of machine readable programming code that is executable by a computer without intervening steps such as compilation or assembly and that are intended to bring about a certain result in the operation of a computer ("Program Object Code"), (b) all supporting documentation ("Documentation"), including but not limited to all end user documents and materials that will assist IBM in the use of the Program, (c) translated national language versions of the Program as described in Attachment 1, (d) any additional work, compatibility or other requirements described in Attachment 1, and (e) all "Corrections" and "Enhancements."

2.2 "ENHANCEMENTS" shall mean changes or additions to the Program that improve function, add new function, or improve performance, including all translated national language versions of the Program that are not addressed in Attachment 1 and all new releases to the Program, except for "Corrections."

2.3 "ERROR" shall mean any patent or latent (a) mistake, problem or defect that causes an incorrect functioning or non-functioning of the Program, (b) incorrect or incomplete statement or diagram in Documentation that may cause an incorrect functioning or non-functioning of the Program, (c) compatibility problems, or (d) other mistake, problem or defect that causes the Program to not completely perform in the manner intended.

2.4 "CORRECTIONS" shall mean any modification or revision, other than Enhancements, to the Program that correct Errors.

2.5 "REGISTERED CUSTOMER" shall mean all IBM system unit end users who subscribe to PC411's online service via the Program preinstalled by IBM and remains registered with the service for ninety (90) days without cancellation.

### 3.0 TERM

The term of this Agreement ("Term") shall be from March 1, 1996 to June 1, 1998, unless terminated sooner as set forth herein.

### 4.0 GRANT OF RIGHTS AND LICENSES

For the sole purpose of pre-loading, marketing and servicing the Program on the hard drives of IBM Aptiva personal computers, PC411 grants to IBM, IBM subsidiaries, its and their successors, a worldwide, irrevocable, nonexclusive, royalty free, fully-paid-up right and license:

- (a) to use, execute, preload, reproduce, copy, distribute copies of (internally or externally), display and perform all, or any portion of the Program, and such rights and licenses shall include all rights and licenses in and to pictorial, graphic or audio/visual works, including icons, screens, music, sound and characters, created as a result of execution of the Program whether such pictorial, graphic or audio/visual works are created by use of the Program or with other programming or through other means;
- (b) under any trade secret, patent application or patent owned or licensable by PC411 to make, have made, use, have used, lease, sell or otherwise transfer each Program either alone or in combination with equipment or software or both;
- (c) to use, in connection with the marketing of Program, the Program

- name(s), trade names and trademark(s) used by PC411 to identify the Program, including any portions thereof;
- (d) to sublicense the Program to end users in connection with the distribution and preloading of the Program on IBM Aptiva personal computers under PC411's standard licensing agreement which is contained in the Program; and
  - (e) to authorize others to do any of the foregoing for the purposes of enabling IBM to exercise the rights and licenses hereunder.

The above grant of rights and licenses includes the right and license to distribute the Program in CD-ROM format either alone or with IBM or third party programs included on the same CD.

Notwithstanding any other provisions of this Agreement, PC411 shall have no right to use the trademarks, trade names, or product names of IBM or its subsidiaries directly or indirectly in connection with any product, promotion or publication without the prior written approval of IBM. It is understood and agreed by IBM that PC411 will issue a press release disclosing the existence of this Agreement. PC411 is required to obtain IBM's approval of any such press release, which approval shall not be unreasonable withheld. However, in no event shall such review by IBM hold IBM responsible for the contents for any such press release.

## 5.0 PC411'S RESPONSIBILITIES AND DELIVERABLES

5.1 PROGRAM DELIVERABLES. PC411 shall deliver to IBM three (3) complete sets of the Program in the following formats that are ready for mass reproduction:

- (a) Program Object Code in 3.5" golden diskette media by March 1, 1996; and
- (b) Documentation in soft copy (ASCII format) and hard copy (camera ready format) by March 1, 1996.

IBM shall have the right to review each complete set of the Program, however, such review shall be at IBM's sole discretion, and any reviews by IBM shall not be construed to make IBM responsible for the contents of the Program, and PC411 shall remain solely responsible for such contents.

5.2 COMPATIBILITY. The Program is compatible with personal computers employing a minimum configuration of Intel 486 and Pentium series microprocessors and Hayes compatible 14.4 and 28.8 baud modems running Windows 95, Windows 3.1 and Windows NT. PC411 agrees to comply with all testing requirements to ensure such compatibility and PC411 shall perform all Corrections and Enhancements and all other things necessary to ensure such compatibility in a timely manner. IBM agrees that if the IBM preloads the Program on Aptiva personal computers that the Program has been sufficiently tested and is compatible with IBM system units, peripherals and operating systems required by this section 5.2.

5.3 SUPPORT. During the Term and for a period of one (1) year after expiration or termination, PC411 shall provide to IBM (a) Corrections with all requirements set forth in subsection 5.1 as soon as the Corrections are available and in accordance with the "time is of the essence" parameters set forth below in this subsection, but in no event later than the general availability of such Corrections, and (b) PC411's normal complete service support of the Program that it makes available to its other customers, and shall also provide the following minimum service support:

- (1) support IBM on all end user telephone calls regarding the Program;
- (2) support IBM regarding the determination of whether there is or is not an Error in the Program; and
- (3) isolate all Errors in the Program, and promptly provide Corrections to IBM in accordance with the "time is of the essence" parameters set forth below:
  - (a) for Errors that result in an emergency condition that causes critical impact to an IBM schedule or that makes performance or continued performance of any feature or function impossible or unpractical ("Severity Level 1 Error" or "SL1 Error"), PC411 shall use best efforts to provide Corrections within 24 hours of the earlier of PC411 discovering the SL1 Error or being informed of the SL1 Error by IBM, IBM subsidiaries or its or their distributors or end users.



- (b) for Errors that significantly affects an IBM schedule or which makes the performance or continued performance of any feature or function difficult that cannot be circumvented or avoided on a temporary basis by the end user ("Severity Level 2 Error" or "SL2 Error"), PC411 shall use best efforts to provide Corrections within 5 calendar days ("Days") of the earlier of PC411 discovering the SL2 Error or being informed of the SL2 Error by IBM, IBM subsidiaries, or its or their distributors or end users.
- (c) for Errors that are not critical in that performance can be continued without difficulty or loss of data by easy circumvention or avoidance by the end user ("Severity Level 3 Error" or "SL3 Error"), PC411 shall use best efforts to provide Corrections within 15 Days of the earlier of PC411 discovering the SL3 Error or being informed of the SL3 Error by IBM, IBM subsidiaries, or its or their distributors or end users.
- (d) for Errors that are minor which can be easily avoided or circumvented by the end user ("Severity Level 4 Error" or "SL4 Error"), PC411 shall use best efforts to provide corrections within 45 Days of the earlier of PC411 discovering the SL4 Error or being informed of the SL4 Error by IBM, IBM subsidiaries, or its or their distributors or end users.

In addition to the foregoing, PC411 shall provide to IBM's end users free of charge, upon request by such end users, Corrections either electronically, via regular mail, or by other means in order to correct any SL1 or SL2 Errors.

5.4 ENHANCEMENTS. If PC411 develops Enhancements to the Program, PC411 shall provide said Enhancements to IBM with all requirements set forth in subsection 5.1 as soon as they are available, but before its general availability.

5.5 TRAINING. PC411 shall provide a one (1) Day training session to IBM, IBM subsidiaries and distributors at a location and date to be identified by IBM in support of the Program and each updated version thereof. Said training shall include but not be limited to instructions on the features, installation, use and/or marketing of the Program.

5.6 SCHEDULES. PC411 shall use best efforts to meet all schedules set forth herein and as may otherwise be mutually agreed upon in writing between the Parties. If PC411 is unable to meet such schedules, and IBM requests at its sole discretion, PC411 shall develop alternative Documentation, at its own expense, designed to be included with IBM products to offer a fulfillment mechanism to enable the end user to obtain the Program at a later date from PC411 at no cost to the end user or to IBM.

5.7 PAYMENT TERMS. All payments set forth in Attachment 1 shall be made to IBM within thirty (30) Days after each calendar quarter for the amounts due IBM in such calendar quarter. Payment shall be accompanied by a statement of accounts report summarizing the basis for the payment to IBM. If payment is not made to IBM within ten (10) Days after notice of non-payment is given, it will constitute a material breach of PC411's obligation under this Agreement.

5.8 RECORDS. PC411 shall maintain complete and accurate records in accordance with generally accepted methods of accounting for all transactions which are the subject of this Agreement for one (1) year after the last payment is due as described in Attachment 1. IBM (or an accounting organization retained by IBM) shall have access to such records, upon reasonable notice for purposes of audit during normal business hours, for so long as such records are required to be maintained. If IBM determines that additional payment is due, IBM will issue an invoice for such additional amount with supporting documentation. PC411 agrees to pay such invoice within thirty (30) Days. If a dispute arises over fees due IBM, IBM and PC411 agree to work in good faith toward a mutually agreeable resolution of the dispute.

5.9 REMITTANCE. All royalty payments from PC411 to IBM shall be made to the following addresses:

FOR WIRE TRANSFER:

Wachovia Bank and Trust  
 Winston Salem, North Carolina  
 c/o IBM Corporation  
 RTP, NC 30301-2150  
 Account #: 6262-059283

FOR CHECKS:

IBM Corporation  
 Mailroom Recorder  
 P.O. Box 12195  
 Department 737/Bldg. 205  
 RTP, NC 27709

Prior to any wire transfer payment, PC411 shall provide notification of impending wire transfer by telefax to:

Cash Receipts Desk

IBM Corporation  
Raleigh, North Carolina  
FAX #: (919) 543-8206

All remittance statements shall be mailed to the following address:

Ms. Kim Morgan  
Technology Licensing FA  
Internal Zip AFM/201  
IBM Corporation  
3039 Cornwallis Road  
Research Triangle Park, NC 27709

IBM may update any of the aforesaid addresses by written notice to the PC411 contract coordinator.

## 6.0 WARRANTIES

PC411 represents and warrants that at all times:

- (a) the Program shall (1) conform to all specifications and requirements set forth in this Agreement, (2) conform to all PC411 published specifications and marketing materials for the Program, (3) be free of all material Errors, and (4) operate in accordance with IBM's intended use of the Program in or with IBM's products, including but not limited to system units, peripherals and operating systems;
- (b) PC411 is the owner of the Program with, or has all sufficient rights to grant the rights and licenses granted in this Agreement, and that the Program, either alone or in any combination, does not infringe any patent, copyright, mask work right, trademark, trade secret or other intellectual property or similar rights, and that PC411 is solely responsible for any fees or for any other payments to any third party due to IBM's exercise of its rights and licenses;
- (c) PC411 has obtained a written agreement not to assert any moral rights from any person or entity having moral rights with respect to the Program, and that PC411 shall not assert any moral rights that PC411 or PC411 employees may have in the Program;
- (d) PC411 has entered into agreements with its employees, contractors, licensees or other applicable third parties, as necessary for it to comply with all of its obligations under this Agreement;
- (e) PC411 has no obligation or restriction, nor will it assume any such obligation or restriction, that would in any way interfere or be inconsistent with or present a conflict of interest concerning its performance under this Agreement;
- (f) PC411 and the Program comply with all governmental laws, statutes, ordinances, administrative orders, rules or regulations that apply to such Program and to PC411's activity hereunder, including but not limited to all health, safety and environmental statutes, laws, regulations and ordinances;
- (g) the Program and any supporting deliverables do not contain any harmful code (including but not limited to viruses, worms or other self-replicating or self-propagating programming) that can damage, interfere with or otherwise adversely affect computers, programs or files without the consent or intent of the computer user, and that PC411 shall enforce procedures to prevent any such harmful code from being incorporated into the Program and shall promptly notify IBM of any knowledge or suspicion of PC411 of any incorporation of such harmful code into the Program.

## 7.0 INDEMNIFICATION

PC411 agrees to protect, defend, hold harmless and indemnify IBM, IBM subsidiaries and its and their successors, (collectively referred to as "IBM" for this section 7.0) from and against any and all claims, damages, actions, liabilities, losses, costs and expenses resulting from any third party claims,

including actual or alleged:

- (a) infringement by the Program, either alone or in any combination, of any patent, copyright, mask work right, trademark, trade name, trade secret, or other intellectual property or similar rights;
- (b) unlawful or unfair trade practices or competition attributable to PC411;
- (c) violation by PC411, or the Program provided by PC411, of any administrative order, rule or regulation of any country where the Program is distributed;
- (d) damage to any property, personal injury, death, or any other damage or loss by whomever suffered, resulting or claimed to result in whole or in part from any actual or alleged defect in the Program, whether latent or patent, including actual or alleged improper construction or design of the Program or the failure of the Program to comply with the specifications or with any express or implied warranties of PC411, if any; or
- (e) breach of any of PC411's representations or warranties under this Agreement.

PC411 shall pay all damages, expenses, costs, including but not limited to reasonable attorneys' fees resulting from all such claims or proceedings regardless of who the claims are filed against, provided that such payment shall be contingent on: (i) notice by IBM to PC411 in writing of such claim to enable PC411 to defend or mitigate the same, provided claims are against IBM; (ii) cooperation by IBM with PC411 in the defense thereof, of which PC411 shall have control at PC411's expense; and (iii) IBM's obtaining PC411's prior written approval of any settlement by IBM of such matters (which approval shall not be unreasonably withheld). Notwithstanding the above, IBM shall have the right, but not the obligation, at its sole discretion, to participate in any such defense at its own expense.

#### 8.0 LIMITATION OF LIABILITY

IBM SHALL NOT BE LIABLE TO PC411 FOR LOST PROFITS, OR CONSEQUENTIAL, INCIDENTAL, OR PUNITIVE DAMAGES EVEN IF ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH DAMAGES.

#### 9.0 TERMINATION

Either party may terminate this Agreement without liability, for material breach by the other party or in the event that the other party becomes insolvent, files or has filed against it a petition in bankruptcy or undergoes a reorganization pursuant to a petition in bankruptcy. Such termination shall become effective thirty (30) Days after receipt of written termination notice, unless the party receiving such notice remedies the cause cited in such notice within such thirty (30) Day period.

IBM may terminate this Agreement, without liability, for convenience, at any time, by providing PC411 written termination notice, and such notice shall be effective immediately upon PC411's receipt of such notice, unless the notice provides for a longer period.

Upon such termination for convenience, all fees shall immediately become fully paid up.

#### 10.0 GENERAL

10.1 CONFIDENTIAL INFORMATION. Neither party has an obligation of confidentiality for information exchanged under this Agreement. Should the Parties desire to exchange confidential information, it shall be addressed under a separately signed written agreement for exchange of confidential information.

10.2 PUBLIC DISCLOSURE. Both parties agree not to disclose the terms of this Agreement without the express written consent of the other party, except as may be required by law or government rule or regulation, or to establish its rights under this Agreement; provided, however that if either party seeks to disclose such information for any reason, then the disclosing party shall limit the disclosure to the extent required, shall allow the other party to review the information to be disclosed prior to such disclosure, and shall apply, where available, for confidentiality, protective orders, and the like. Such review by

the reviewing party shall not be construed to make the reviewing party responsible for the contents of the disclosure and the disclosing party shall remain solely responsible for such contents.

10.3 FREEDOM OF ACTION. Nothing in this Agreement shall be construed as: (1) prohibiting or restricting either party or their subsidiaries from independently developing, having developed independently, acquiring, licensing, distributing or marketing products, services and other materials which are competitive in any form with the Program, (2) guaranteeing that either party or their subsidiaries shall announce, or otherwise offer for sale or lease, any product or service, including but not limited to the Program; or (3) affecting either party's pricing of products or services, including but not limited to the Program. Nothing in this Agreement obligates IBM, IBM subsidiaries or distributors to announce or market the Program or products that include the Program in any quantity or in any particular manner of resale. Resale or marketing activities may be commenced or discontinued at the sole discretion of IBM, without notice to PC411. Each party is free to enter into similar agreements with other parties.

10.4 RELATIONSHIP OF THE PARTIES. Each party is acting solely as an independent company. This Agreement shall not be construed to establish any form of partnership, agency, franchise or joint venture of any kind between PC411 and IBM, nor to constitute either party as the agent, employee, legal representative or any other form of representative of the other. This Agreement shall not be construed to provide for any sharing of profits or losses between the Parties. Each party acknowledges that it has not relied on any promises, inducements, representations or other statements made by the other party regarding the commercial viability, profitability or success in the market place of any Programs or services, and that each party's decision to enter into this Agreement is made independently from the other party.

10.5 GOVERNING LAW AND NO JURY TRIAL. This Agreement shall be governed by, and the legal relations between the Parties hereto shall be determined in accordance with, the substantive laws of the State of New York, without regard to the conflict of laws principles of such State, as if this Agreement was executed in and fully performed within the State of New York. Each party hereby waives any right to a trial by jury in any dispute arising under or in connection with this Agreement, and agrees that any dispute hereunder shall be tried by a judge without a jury.

10.6 ASSIGNMENT. No right, interest, privilege or obligation of this Agreement shall be assigned or delegated by PC411 or IBM without the other's prior written permission which shall not be unreasonably withheld. Any act in derogation of the foregoing will be null and void.

10.7 COMMUNICATIONS AND NOTICE. All communications between the Parties under this Agreement shall be carried out through or under the supervision of the following contract coordinators:

For IBM:	For PC411:
Bert A. Goodman, Internal Zip ENEA/002-3	Christopher C. Hansen
International Business Machines Corporation	PC411, Inc.
3039 Cornwallis Drive, Research Triangle Park	9800 La Cienega Blvd. Suite 411
North Carolina 27709	Inglewood, CA 90301-4440
Phone: (919) 543-5869	Phone: (310) 645-1114
FAX: (919) 543-4253	FAX: (310) 645-1112

Any legal notice shall be deemed received (a) two (2) Days after mailing if sent by certified mail, return receipt requested or (b) on the date confirmation is received if sent by facsimile transmittal.

Each party may change the aforesaid contract or addresses at any time by written notice to the other party's contract coordinator.

10.8 HEADINGS NOT BINDING. Headings used in this Agreement are for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of this Agreement.

10.9 ORDER OF PRECEDENCE. In the event of an inconsistency, the order of precedence shall be: (a) this Agreement, and then (b) any applicable confidential agreement that may cover the subject matter of this Agreement. Any terms contained in any invoices, acknowledgments, shipping instructions or other

forms issued under or in connection with this Agreement that are inconsistent with, different from or additional to the terms of this Agreement shall be void and of no effect.

10.10 SURVIVAL. The rights and obligations in this Agreement of sections and subsections 4.0, 5.3, 6.0, 7.0, 8.0, 9.0 and 10.0 shall survive and continue after termination or expiration of this Agreement and shall remain in full force and effect, and shall bind the Parties and their legal representatives, successors, heirs and assigns.

10.11 SEVERABILITY. If any provision of this Agreement is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions shall not be affected or impaired.

10.12 AMENDMENT/WAIVER. No amendment, modification or waiver of any provision of this Agreement shall be effective, unless it is set forth in writing which refers to the provisions so affected and is signed by an authorized representative of each party. No failure or delay by either party in exercising any right, power or remedy will operate as a waiver of any such right, power or remedy.

10.13 ENTIRE AGREEMENT. The provisions of this Agreement, including Attachment 1 that has been expressly incorporated herein by reference, constitute the entire Agreement between the Parties and supersede all prior intentions, proposals, understandings, communications and agreements, oral or written, relating to the subject matter of this Agreement. This Agreement will not be binding upon the Parties until it as been signed by each party's authorized representative.

10.14 COUNTERPARTS. This Agreement may be signed by each party's respective duly authorized representative in one or more counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute one single agreement between the Parties hereto. Any signed copy of this Agreement hereunder made by reliable means (e.g. photocopy or facsimile) is considered an original.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be signed by their respective duly authorized representatives.

ACCEPTED AND AGREED TO:                      ACCEPTED AND AGREED TO:

INTERNATIONAL BUSINESS                      PC411, INC.  
MACHINES CORPORATION

-----  
Authorized Signature      Date      Authorized Signature      Date

ERIC STOLLER                      CHRISTOPHER C. HANSEN  
-----  
MANAGER, DEVELOPMENT AND LICENSING CONTRACTS      PRESIDENT

-----  
Title    Title

ATTACHMENT 1  
PROGRAM DESCRIPTION

I. THE PROGRAM SHALL INCLUDE BUT NOT BE LIMITED TO THE FOLLOWING:

1. All code related to PC411's "PC411 for Windows Release 1.2" product including but not limited to the following key files:

- PC411.EXE
- PC411.HLP
- PC411.INI
- WIDGETS.DLL

2. The above code includes the following key features and functions:

- modem access to the PC411 database of telephone directories
- telephone list management functions such as editing and sorting
- import, export and printing functions
- ten (10) free searches for IBM Aptiva customers

3. All end user documentation related to PC411's "PC411 for Windows Release 1.2" product including but not limited to the following:

- Online help in the PC411.HLP file

4. The Program shall be available in the following languages in accordance with the schedule listed below. Each Program update shall include the following languages.

LANGUAGE	RELEASE DATE
-----	-----
English (U.S.A.)	NOW

The Program looks up business and residential telephone book listings (including addresses and telephone numbers) published in the English (U.S.A) language. Since it is not possible to translate proper names into foreign languages, foreign language versions are therefore not practical.

5. All Corrections and Enhancements.

PC411.INI file that is pre-configured for the Aptiva line of computers.

6. The following changes shall be included in the Program:

N/A

II. FEE. PC411 will pay IBM a "Distribution Fee" and a "Bonus Fee" for each Registered Customer obtained from a copy of the Product pre-loaded onto IBM Aptiva personal computers. The Distribution Fee due IBM is \$3.00 per Registered Customer.

If the number of Registered Customers is equal to or greater than 100,000 by June 15, 1997, then PC411 shall pay IBM an additional fee ("Bonus Fee") of \$3.00 per all such Registered Customers existing at the time as well as for each new Registered Customer for the remainder of the Term of the Agreement.

Example: Registered Customers as of 6/15/97	105,000
Registration Fee 105,000 X \$3.00	\$315,000
Bonus Fee 105,000 X \$3.00	\$315,000
Total Fee	\$630,000

If the number of Registered Customers is equal to or greater than 50,000 but less than 100,000 by June 15, 1997, then PC411 shall pay IBM a Bonus Fee of \$2.00 per all such Registered Customers existing at the time as well as for each new Registered Customer for the remainder of the Term of the Agreement.

Example: Registered Customers as of 6/15/97	55,000
Registration Fee 55,000 X \$3.00	\$165,000
Bonus Fee 55,000 X \$2.00	\$110,000
Total Fee	\$275,000

If the number of Registered Customers is less than 50,000 by June 15, 1997, then no additional fees are owed.

PC411 shall commence the payment of the Distribution Fees and Bonus Fees at such time as there are 1,000 Registered Customers. PC411 will pay the Distribution Fee and Bonus Fee within thirty (30) Days of the end of each calendar quarter in accordance with Section 5.0.



EXHIBIT 10.9

OEM AND LICENSE AGREEMENT

THIS AGREEMENT is made as of the 25th day of April 1996, by and between, Information Technologies of America, a division of Sony Electronics Inc., a Delaware, corporation having offices at 3300 Zanker Road, San Jose, California 95134 ("Sony") and PC411, Inc., a Delaware corporation, having offices at 9800 La Cienega Boulevard, Suite 411, Inglewood, California, 90301 ("Licensor").

WITNESSETH:

WHEREAS, Licensor is in the business of developing, producing, distributing and selling computer programs throughout the world; and

WHEREAS, Sony wishes to license certain computer software programs distributed by Licensor for sale by Sony with its currently existing or later developed hardware products ("Hardware Products"), including a license to replicate, copy and license same to its customers ("Customers"), for use with such Hardware Products, and from time to time provide Sony with other software for sublicense to its Customers, as and if requested by Sony.

NOW, THEREFORE, in consideration of the terms and conditions of this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the signing and delivery hereof, the parties agree as follows:

1.0 GENERAL

The parties acknowledge that this Agreement generally contemplates:

- (a) Licensor's delivery of the software programs listed on Exhibit A attached hereto and made a part hereof with related installer files (the "Programs") in object code form in accordance with the Specifications set forth in Exhibit A. The delivery shall be done on a Master Disk(s) suitable for replication so that Sony can copy the Programs for inclusion in its Hardware Products;
- (b) Sony's sale of the Programs as part of a bundle with a Hardware Product and not as a standalone product. Notwithstanding any provision of this Agreement, Sony shall be free to market and sell any product, including without limitation, the Hardware Products, without the Programs;
- (c) Licensor's delivery of their standard user manual, as well as the User Guide for the Programs in electronic format (collectively the "Documentation") suitable for inclusion in Sony's end user documentation and on-line help system. The Documentation will be delivered in an electric format compatible with either Word 6.0 for Windows or Adobe Acrobat, as designated by Sony;
- (d) Provision to Sony from time to time of software programs other than the Programs for sale with Hardware Products or other Sony Products by adding other software programs to the Programs listing of Exhibit A by written amendment(s) to this Agreement signed by the parties. (Any Programs subsequently added to Exhibit A shall thereafter be included in the definition of "Programs(s)");
- (e) Sony's licensing of the Programs from Licensor for sale as part of a bundle with a Hardware Product and/or other Sony products that Sony will sell to end users directly or through its dealers or resellers; and
- (f) Licensor's continued support of the Programs.



The parties agree to effect the foregoing in accordance with the terms and conditions hereof and the terms and conditions of any instruments expressly made a part hereof.

## 2.0 DELIVERY OF THE PROGRAMS

2.1 FINAL DELIVERY. Licensor will deliver the Programs on a Master Disk(s) suitable for duplication along with the required copies of the Documentation.

2.2. DELIVERY SCHEDULE. Licensor will deliver the Programs and Documentation within five (5) working days of the signing of this Agreement.

## 3.0 LICENSE

3.1 LICENSE AND RIGHTS. Subject to all of the terms and conditions of this Agreement, Licensor hereby grants Sony a royalty-free, nonexclusive, worldwide license and right to replicate the Programs and to replicate/copy and modify any portion of the Documentation and incorporate same in Sony's documentation, including its on-line help system and to license the use of the Programs and the Documentation as provided by Licensor or as modified and incorporated in Sony's documentation to its Customers, all under Licensor's or its licensor's patents, copyrights and other proprietary rights therein and thereto. Licensor acknowledges that Sony may pre-install any or all of the Programs on the Hardware Products and that Sony may include in the product sold to the end user a recovery CD containing some or all of the software titles sold with the Hardware Products, including the Programs, whereby the end user has the capability to re-install all or some of the titles. The main copy of the Programs sold to the end user and any pre-installed or recovery copy shall be considered one copy of the Programs. Except for the limited license granted to Sony hereunder, this Agreement does not confer or transfer to Sony any right, title or interest in any of the Programs or any intellectual property rights relating thereto.

3.2 SUBLICENSE. Sony shall have the right to sublicense the Programs, the Documentation and rights granted to it or any portion thereof to any of its parent companies or its or their subsidiary or affiliated companies worldwide ("Sony Companies") as a sublicensee under this Agreement provided all such Sony Companies agree to be bound by the terms hereof.

3.3 THIRD PARTY DUPLICATION. Sony may allow a third party to perform duplication of the Programs and/or Documentation on its behalf, subject to the terms of this Section 3.

## 4.0 SUPPORT AND UPGRADES

4.1 SUPPORT. For a period commencing on the date of the delivery of the Programs until six (6) months from the date that Sony and its permitted sublicensees last license the use of the Programs to their customers, Licensor will support the Programs, including bug fixes and changes to maintain compatibility with the then operating system. Licensor agrees to the terms of Exhibit B attached hereto and made a part hereof.

4.2 UPGRADES. Licensor will deliver updates and upgrades of the Programs and Documentation to Sony no later than to other similarly situated customers and in any case prior to release to Licensor's end user customers. Upgrades and updates are to be provided free of charge, or in any event under the same terms and conditions as made available to other similarly situated customers.

4.3 VERSIONS. Licensor will offer new versions and features of the Programs and Documentation to Sony on substantially the same terms offered to other similarly situated customers.

4.4 VERSIONS FOR END USERS. Licensor will provide upgrades, updates or new versions or

features of the Programs and Documentation to Sony's end users of the Program on substantially the same terms as those offered to customers buying the Programs and Documentation at retail.

4.5 END USER SUPPORT. 1. Licensor must provide end user customer support. Sony will refer customers to Licensor when there appears to be a problem related to the Programs. 2. Licensor will provide training on the Programs to Sony technical support personnel from time to time during the term of the Agreement without charge so long as training is performed via telephone or at Licensor's office, otherwise, training will be at Sony's expense. 3. Licensor will have a separate number available for technical support directly to Sony technical support personnel to be available M-F 8-5 PST at no charge. 4. Licensor will have a separate number available for technical support directly end users to be available M-F 8-5 PST at no charge. These support obligations will continue for at least one year following delivery of Programs to Sony.

4.6 REVENUE SHARING. Licensor agrees to the Additional Terms described in Exhibit C attached hereto and made a part hereof.

## 5.0 REPRESENTATIONS AND WARRANTIES AND OTHER COVENANTS

5.1 TITLE AND AUTHORITY. Licensor represents and warrants to Sony that it has the right to grant to Sony the license and rights granted to it under this Agreement; and, that the Programs and the Documentation and Sony's exercise of such license and rights will not infringe or misappropriate any third party's patents, copyrights or other proprietary rights.

5.2 CONTENT OF LICENSOR SOFTWARE. Licensor represents and warrants that Licensor has obtained all necessary rights to third party intellectual property contained in the Programs and Documentation so that the Programs can function in accordance with normal use; to allow Sony to use, display and perform the Programs and Documentation; and, to use in Sony's marketing material for its products, including the Sony personal computer product, any and all images, sounds, or content contained in the Programs or Documentation, including all intellectual property rights contained therein.

5.3 NO ENCRYPTION. The Programs contains no encryption capabilities other than password protection.

5.4 PROGRAMS. Licensor represents that the Programs and Documentation provided to Sony is the full and complete version of the Programs and Documentation sold as a standalone product and described in applicable brochures, provided however, that Sony acknowledges that such Programs will become completely disabled if the end user does not agree to pay the required fees.

5.5 COMPLIANCE. Licensor represents and warrants to Sony that it has obtained all permits, approvals and licenses that apply to its delivery of the Programs and Documentation, and the license and rights it has granted to Sony and its faithful observance and performance of its other obligations under the terms and conditions of this Agreement.

5.6 INDEMNIFICATION. Licensor shall defend, indemnify and hold Sony harmless from and against all claims, suits, losses or damages (including court costs and reasonable attorneys' and experts' fees) arising from or incident to its misrepresentation of any representation or breach of any warranty made in Sections 5.1, 5.2, 5.3, 5.4 and 5.5. This indemnification will survive the termination of this Agreement.

5.7 SOFTWARE WARRANTY. Licensor warrants to Sony that for a period of one (1) year from the date of delivery of the Programs and the Documentation, the Programs will perform substantially in accordance with the published specifications for the Programs, the Specifications, and the Documentation. If the Program fails to perform in any way, and Sony give Licensor notice to that effect, together with details about the nature of the deficiency, Licensor will, at its own cost and

expense, use its best efforts to correct such deficiency within ten (10) working days. This warranty does not cover any code of the Programs which is modified in any manner by Sony, its sublicensees or any of their customers.

5.8 LIMITATION OF LIABILITY. THE LIMITED WARRANTIES IN SECTION 5 ABOVE ARE THE SOLE AND EXCLUSIVE WARRANTIES, IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR

IMPLIED, GIVEN BY LICENSOR INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE. LICENSOR DOES NOT WARRANT OR REPRESENT THAT THE PROGRAMS WILL BE ERROR FREE OR WILL OPERATE WITHOUT INTERRUPTION.

THE LIABILITY OF EITHER PARTY TO THE OTHER UNDER ALL OF THE PROVISIONS OF THIS AGREEMENT (OTHER THAN THE LIABILITY OF LICENSOR TO SONY UNDER SECTIONS 6.3 AND 6.4) SHALL BE LIMITED TO DIRECT DAMAGES AND, EXCEPT AS PROVIDED IN THIS SECTION, SHALL NOT EXCEED THE AGGREGATE AMOUNT OF THE ROYALTIES PAID BY SONY TO LICENSOR HEREUNDER. OTHER THAN THE LIABILITY OF LICENSOR TO SONY UNDER SECTIONS 6.3 AND 6.4, IN NO EVENT WILL EITHER PARTY BE RESPONSIBLE TO THE OTHER FOR INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS) EVEN IF THE OTHER PARTY HAS PREVIOUSLY BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

5.9 WARRANTY DISCLAIMER PACKAGED WITH SOFTWARE. Sony will include with its shrink wrap license to end user Customer the Licensor limitations attached hereto as Exhibit D.

5.10 NONDISCRIMINATION IN EMPLOYMENT. Licensor shall not discriminate against any employee, or application for employment, because of race, creed, color, national origin, sex, age, Vietnam Veteran's status or physical or mental disability in connection with its delivery of the Programs and Documentation or in its faithful observance and performance of its other obligations under the terms and conditions of this Agreement. In addition, Licensor will comply with all applicable federal, state and local laws and regulations pertaining to wages, hours and other terms and conditions of employment.

## 6.0 ACKNOWLEDGEMENTS, PATENTS, COPYRIGHTS, AND OTHER PROPRIETARY RIGHTS

6.1 COPYRIGHT NOTICE. Sony shall not remove or alter any copyright notice contained in the Master Disk for inclusion with each copy of the Programs replicated by Sony. A copy of such notice is set forth on Exhibit E hereto.

6.2 USE OF TRADEMARK. Licensor hereby grants Sony the right to use the name by which the Programs is marketed in Sony's sales literature, advertising and documentation relating to the marketing and sales of the products incorporating or utilizing the Programs.

6.3 WARRANTY AS TO RIGHTS. Licensor represents and warrants to Sony that it has obtained, by license or otherwise, all rights, covenants, authorizations and permissions required by Licensor or other third parties to: 1) grant Sony the right to use the names or trademarks as provided in Section 6.2 above; 2) grant Sony the licenses provided in Section 3.0 hereof; 3) make all representations and warranties provided to Sony in this Agreement; and 4) grant Sony all other rights and licenses provided in this Agreement and to perform all of its other obligations as provided in this Agreement.

6.4 INTELLECTUAL PROPERTY INDEMNIFICATION. Licensor shall defend, indemnify and hold Sony harmless from and against all claims, suits, losses or damages (including court costs and reasonable attorneys' and experts' fees and expenses) arising from or incident to alleged or actual

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infringement or misappropriation of any third party's patent(s), copyright(s), trademark(s), trade secret(s), or other intellectual property right(s) arising out of or in any way connected with the Programs, the Documentation, or any repair, replacement, updates, modifications and bug fixes to same. This indemnification shall survive the expiration or termination of this Agreement.

## 7.0 TERM AND TERMINATION

7.1 TERM. This Agreement shall commence as of the date of first shipment and shall continue thereafter, unless sooner terminated as provided in Sections 7.2, 7.3 and 7.4, for twelve (12) months except that, with respect to those obligations expressly identified herein as having a limited period for their observance and performance, same will expire upon the completion of such period.

7.2 AUTOMATIC TERMINATION BY SONY. This Agreement may be immediately terminated by Sony giving Licensor notice to that effect upon the occurrence of

any of the following:

- (a) Licensor engages directly or indirectly in any attempt to defraud Sony; or
- (b) Licensor misrepresents any of the representations or breaches any of the warranties set forth in Sections 5.0 or 6.0; or,
- (c) Licensor becomes insolvent or unable to pay any and/or all of its debts as they mature in the ordinary course of its business; or, makes an assignment for the benefit of its creditors; or, any proceedings are commenced by, for or against it under any bankruptcy, insolvency or debtors' relief law; or, it is liquidated or dissolved.

7.3 FOR CONVENIENCE. This Agreement may be terminated by Sony giving Licensor thirty (30) days' prior notice to that effect.

7.4 FOR CAUSE. Except as may be provided in Section 7.2, upon either party's failure to observe and perform its obligations under the terms and conditions of this Agreement, the non-defaulting party may give the defaulting party notice to that effect, and the defaulting party shall then have thirty (30) days to cure same. If such default is not cured within such period, then this Agreement will terminate upon the non-defaulting party giving the defaulting party further notice to that effect.

## 8.0 NOTICES

All notices and other communications required or permitted to be given under this Agreement shall be in writing and will be delivered personally, or mailed by registered or certified mail, return receipt requested, postage prepaid, or by overnight courier or telex, telecopy or other form of rapid transmission, confirmed by mailing as described above, addressed as follows:

If to Licensor:           PC411, Inc.  
9800 La Cienega Boulevard  
Suite 411  
Inglewood, California 90301  
Attention: Christopher C. Hansen

If to Sony:               Sony Electronics Inc.  
3300 Zanker Road  
San Jose, California 95134-1940  
Attention: Legal Department

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With a copy to:         Sony Electronics Inc.  
Sony Drive  
Park Ridge, New Jersey 07656  
Attention:   General Counsel,  
              Law Department,  
              Fax: (201) 358-4059

Any notice so addressed and delivered personally will be deemed given upon receipt. Any notice so addressed and mailed shall be deemed given after deposit in the United States mails, and if sent by rapid transmission followed promptly by mailing, upon receipt of such transmission. Either party may change its address by giving the other written notice to that effect in the manner provided in this Section.

## 9.0 MISCELLANEOUS

9.1 ASSIGNMENT. Except for Sony's right to sublicense in accordance with this Agreement, neither party shall assign or otherwise transfer this Agreement or any interest herein or any right hereunder without the prior written consent of the other, which consent will not be unreasonably delayed or withheld, except that Sony may assign this Agreement to any of its parent companies or its or their subsidiaries or affiliated companies without Licensor's consent by giving Licensor notice to that effect. Any other purported assignment, transfer or attempt to assign or transfer this Agreement by either party without such

consent will be deemed null, void and of no force or effect.

9.2 CHANGE OF OWNERSHIP. Licensor will inform Sony of a change of ownership of more than twenty five percent of Licensor's stock ownership.

9.3 WAIVERS. Neither party's waiver of any default under this Agreement or failure to enforce any term or condition hereof at any time shall in any way affect, limit or waive such party's right thereafter to enforce and compel strict compliance herewith and with every term and condition hereof.

9.4 NON-EXCLUSIVENESS. Any specific right or remedy provided in this Agreement shall not be exclusive, but will be cumulative of all other rights and remedies set forth herein or allowed by law.

9.5 HEADINGS. The headings of Articles and Sections in this Agreement are for convenience and reference only, and they shall in no way define, limit or describe the scope thereof and will not be considered in the interpretation or construction hereof.

9.6 SURVIVAL. Any term or condition of this Agreement which is specifically, by its terms, intended to survive the expiration or earlier termination hereof shall survive such expiration or termination and continue, thereafter, in full force and effect.

9.7 GOVERNING LAW. This Agreement shall be interpreted, construed and enforced in accordance with the local law of the State of California, without reference to its conflicts of law.

9.8 INVALIDITY. The invalidity or unenforceability of any term or condition of this Agreement shall not effect the other terms and conditions, and such invalid or unenforceable term or condition will, in all events, be interpreted, construed and enforced to the fullest extent allowed by law.

9.9 ENTIRETY OF AGREEMENT. This Agreement supersedes, terminates and otherwise renders null and void any and all prior agreements or understanding entered into between the parties with respect to the subject matter hereof. This Agreement represents and incorporates the entire understanding of the parties with respect to such subject matter, and each party acknowledges that there are no warranties, representations, covenants or understandings of any kind, nature or

description whatsoever made by either to the other, except those expressly set forth herein. This Agreement may be modified only by a written instrument signed by the parties which states that it is an amendment hereto.

IN WITNESS WHEREOF, the parties have signed and delivered this Agreement as of the date first above written.

Information Technologies of America,  
A DIVISION OF  
SONY ELECTRONICS INC. PC411, Inc.

By: /s/ Todd Oseth  
-----

By: /s/ Christopher C. Hansen  
-----

Print Name: Todd Oseth  
-----

Print Name: Christopher C. Hansen  
-----

Title: Vice President  
-----

Title: President  
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## PROGRAMS AND SPECIFICATIONS

The Program(s) consists of:

1. All code related to Licensor's "PC411 for Windows Release 1.2" product including but not limited to the following key files:

PC411.EXE  
PC411.HLP  
PC411.INI  
PC411WID.DLL

2. The above code includes the following key features and functions:

- -modem access to the PC411 database of telephone directories
- -telephone list management functions such as editing and sorting
- -import, export and printing functions

3. All end user documentation related to PC411's "PC411 for Windows Release 1.2" product including but not limited to the following:

- -Online help in the PC411.HLP file

The Specifications shall conform to the functionality and performance parameters documented in the most current User Manuals for the Programs.

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### EXHIBIT B

#### UPGRADES AND SUPPORT

In addition to its warranty obligations under Section 5.7 of the Agreement, Licensor will make all upgrades and enhancements to the Programs beyond those specified in Exhibit A, and other Programs available to Sony at the best wholesale price offered by Licensor to its distributors or resellers, or at no charge if offered for no charge to Licensor's distributors or resellers.

Any other support requested by Sony will be provided at Licensor's then-prevailing time-and-materials rate for licensees paying similar royalty rates to Licensor.

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### EXHIBIT C

#### ADDITIONAL TERMS

During the term of this Agreement as provided in Section 7.0, Licensor will pay to Sony an amount equal to twenty percent (20%) of the "Service Revenues" received from each Sony Customer. "Service Revenues" include all revenues earned from use of the Program less any returns, refunds or credits issued to Sony Customers. A Sony Customer shall be a customer who pays a fee entitling them to full access to any of the Programs through a promotional offer included in the Programs, and remains registered with the Licensor's service for 90 days without cancellation.

Licensor will keep records as to any sales made to Sony Customers. Payment shall be due thirty (30) days after the end of the calendar quarter in which the sale took place.

Licensor will maintain complete records, during and for one (1) year after the termination or expiration of this Agreement (or as may otherwise be required by applicable law), regarding sales to Sony Customers. Within thirty (30) days after the close of each calendar quarter, Licensor will deliver to Sony a report which will provide all information reasonably necessary for computation and confirmation of the royalty payments, if any, due or credited to Sony for such period. An independent certified public accountant selected by Sony may, upon

reasonable notice and during normal business hours, inspect the records of Licensor on which such reports are based. If upon performing such audit, it is determined that Licensor has underpaid Sony by an amount greater than five percent (5%) of the payments due Sony in the period being audited, Licensor will bear all reasonable expenses and costs of such audit in addition to its obligation to make full payment of such underpayment.

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#### EXHIBIT D

##### LIMITATION OF LIABILITY

THE LIABILITY OF SONY AND ITS LICENSORS, IF ANY, AND YOUR SOLE AND EXCLUSIVE REMEDY FOR DAMAGES FOR ANY CLAIM OF ANY KIND WHATSOEVER CONCERNING YOUR USE OF THE SOFTWARE, REGARDLESS OF LEGAL THEORY, AND WHETHER ARISING IN TORT OR CONTRACT, WILL NOT BE GREATER THAN THE LICENSE FEE YOU PAID FOR THE SOFTWARE OR THAT PORTION OF THE PURCHASE PRICE YOU PAID FOR THE [PRODUCT] ALLOCABLE TO THE SOFTWARE. IN NO EVENT WILL SONY OR ITS LICENSORS BE LIABLE TO YOU FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, COMPENSATION, REIMBURSEMENT OR DAMAGES ON ACCOUNT OF THE LOSS OF PRESENT OR PROSPECTIVE REVENUE OR PROFITS, LOSS OF DATA, OR FOR ANY OTHER REASON WHATSOEVER EVEN IF SONY OR ITS LICENSORS HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

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#### EXHIBIT E

##### COPYRIGHT NOTICE

As appears on the Program.

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## LICENSE AGREEMENT

THIS LICENSE AGREEMENT ("License") is made this 31st day of August, 1996 by and between Pro CD, Inc. ("Pro CD"), a Delaware corporation with its principal place of business at 222 Rosewood Drive, Danvers, MA 01923-4520 and PC411, Inc. ("PC411"), a Delaware Corporation having its principal place of business at 9800 La Cienega Blvd., Suite 411, Inglewood, CA 90301-4440.

1. Grant of License. Pro CD grants PC411 a non-exclusive right to use (i) Pro CD's Listings (as defined below) and (ii) any User Guide, programming tools or software delivered with the Listings (collectively, the "Software"), in each case in compliance with the terms of this License, including the right to install and use the Software and Listings to create a database of directory information and distribute such information to end users over telephone lines or the Internet.

Listings are defined as, and currently consist of, United States and Canadian residence, business, and government telephone numbers, fax numbers, mailing address information, geographical addresses and Web site addresses which are available on Pro CD's compact disc products such as Select Phone Deluxe, Canada Phone, Pro CD Fax Book, Home Phone, Business Phone, Free Phone, Select Street Atlas, ZIPFix, List Match, Direct Phone and Net Phone. Listings also include (a) any new listings that define the physical or electronic location of an individual, business or other entity and are used to locate, contact or communicate with such entity, (b) are published by Pro CD, and (c) are licensed by Pro CD to other Internet or online licensees.

Pro CD grants PC411 the right to distribute the Listings through, or in conjunction with, World Wide Web sites other than PC411's site; however, if under the terms of any such distribution arrangement PC411 is not responsible for directly selling to, and collecting payments from, the Web page advertisers (or if PC411 is not responsible for directly selling to, and collecting payments from, end users if end users are charged for the Listings), then PC411 must submit the terms of such distribution arrangement to Pro CD for its review and approval, which approval shall not be unreasonably withheld. Within seven days of the submittal, Pro CD may request additional information from PC411 regarding the terms of the distribution arrangement. Pro CD will either approve or reject the distribution arrangement within 14 days from its first submittal or seven days after PC411 supplies additional information. If Pro CD rejects the distribution arrangement, Pro CD will provide PC411 with a written explanation of why it rejected the arrangement and suggestions for what would be required to receive Pro CD's approval.

2. Ownership. The Software and the Listings are proprietary products of Pro CD, and are protected under U.S. copyright law and international treaty provisions. All copies of the Software made by PC411 in accordance with this License shall contain Pro CD's copyright notices. All intellectual property rights in and to the Software and the Listings are retained by Pro CD. Without limiting the foregoing, PC411 acknowledge that neither the Software nor PC411's rights and obligations under this License may at any time be sublicensed, assigned or transferred, in whole or in part, to any third party. Except as provided herein, PC411 may not distribute, rent, sublicense, or lease the Software or the Listings in whole or in part to any third party and agrees not to make any copy of the Software or Listings or any portion or derivative work thereof and sell, license, rent, loan, lease, or distribute the same to any third party. Nothing contained herein shall limit PC411's right to independently develop its own software.

3. Payment. PC411 agrees to pay Pro CD a certain percent of revenues (as specified below) generated from the sale or display of the Listings, including revenue from the use of PC411's online modem dial up service, revenue from the sale of the Listings to end users over the Internet or other online transmission, and revenue from advertiser supported Internet World Wide Web pages displaying the Listings. Such percentage will be 20% if Pro CD delivers the Listings on a quarterly basis and 25% if Pro CD delivers the Listings on a monthly or more frequent basis.

PC411 guarantees minimum quarterly payments equal to \$15,000 for the



quarters ending November, February, May, and August for the term of the License. Within 30 days of the end of each quarterly period, payments shall be due and payable and PC411 will provide Pro CD with a report showing the sources and amounts of revenues generated from the sale or display of the Listings and a calculation of the amounts owed.

PC411 shall provide Pro CD with certain limited display advertising as described herein on PC411's Internet site whenever the Listings are transmitted to viewers of such site. Each time results from a search query are displayed, PC411 will display the Pro CD logo in substantially the form as attached as Exhibit A. PC411 will also display a Pro CD logo in substantially the form as attached as Exhibit B on PC411 home pages that provides directory look-up services or incorporates the Listings. Each of these displays will provide a link to Pro CD's Internet home page.

PC411 shall maintain complete and accurate records in accordance with generally accepted methods of accounting for all transactions which are the subject of this License. At Pro CD's expense and during regular business hours, Pro CD or an accounting organization retained by Pro CD may examine such records for purposes of auditing the amounts due under this License. If Pro CD determines that an additional payment is due, Pro CD will issue an invoice for such additional amount with supporting documentation. If a dispute arises over such additional amount, both parties agree to work in good faith toward a mutually agreeable resolution of the dispute. Pro CD may perform such audit once per calendar year and will give PC411 15 days notice of its intention to perform an audit. All information gained by Pro CD or its authorized representative from such audit shall be deemed confidential and used solely for the purpose of verifying the amounts due under this License.

4. Delivery. During the period of the License, Pro CD will provide to PC411 the Listings and any updates thereof on a quarterly basis or on a more frequent basis if any of Pro CD's other Internet or online licensees receive such information on a more frequent basis. Pro CD will provide the Listings on CD-ROM or other media as mutually agreed upon by both parties. PC411 will be a most favored customer of Pro CD and as such Pro CD will provide PC411 with the Listings or updates thereof as soon as such updates are available but in no event later than Pro CD provides such updates to the business or consumer market or to other Internet or online licensees. Pro CD will supply PC411 with its User Guide, application programmers interface, ODBC drivers, other programming tools, or software as soon as such Software and updates to such Software are available.

5. Term and Termination. The License is effective for three years from the date of this agreement. PC411 may terminate the License at any time by notifying Pro CD and destroying the Product and all its copies of the Listings and certify in writing that it has done so. PC411 has the right at the end of the term to renew the License for one additional year on the same terms and conditions. Either party may terminate this agreement for material breach by the other party with a written notice of termination citing such material breach. Termination shall become effective thirty (30) days after the receipt of notice, unless the party receiving such notice remedies the cause within such thirty (30) day period. Upon termination, all payments due under this agreement shall be paid in full.

6. Limited Warranty. Pro CD warrants to PC411 that Pro CD is the owner of the Listings, or has all sufficient rights to grant the license granted in this License, and that the Listings do not infringe any patent, copyright, trademark, or other intellectual property or similar rights. Pro CD warrants to PC411 that Pro CD has no obligation or restriction that would interfere or be inconsistent with or present a conflict of interest concerning its performance under this License. Pro CD warrants that the discs or other media on which the Listings are furnished shall, for a period of 90 days from delivery, be free, in normal use, from defects in material and workmanship. Pro CD will have no responsibility to replace any media that has been damaged by accident, abuse or misapplication. If, during the first 90 days, a defect in the media appears, PC411 may return the media to Pro CD for replacement. Pro CD does not warrant the completeness or accuracy of the Listings, or that the use of the Software will meet PC411's needs or that its use will be uninterrupted or error free. The foregoing constitutes PC411's sole and exclusive remedy for breach by Pro CD of any warranties (express or implied) made under this License. EXCEPT FOR THE WARRANTIES SET FORTH ABOVE, THE PRODUCT IS LICENSED "AS IS," AND PRO CD DISCLAIMS ANY AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT

LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT. NO PRO CD DEALER, DISTRIBUTOR, AGENT OR EMPLOYEE IS AUTHORIZED TO MAKE ANY MODIFICATION OR ADDITION TO THE FOREGOING WARRANTY.

7. Limitation of Liability. Pro CD's cumulative liability to PC411 and all other parties for any loss or damages resulting from any claims, demands, or actions arising out of or relating to this License shall not exceed the license fees paid by PC411 for the use of the Listings. Pro CD shall not be liable for (a) any loss of use of PC411's computers or loss or corruption of data

or the costs of system or data recovery, (b) any third party claims, or (c) for any indirect, special, punitive, exemplary, incidental or consequential damages or lost profits, whether based on contract, negligence, strict liability or otherwise, even if Pro CD has been advised of the possibility of such damages.

8. Controlling Law and Severability. The License shall be governed by and construed in accordance with the laws of the United States of America and the Commonwealth of Massachusetts, as applied to agreements entered into and to be performed entirely within Massachusetts between Massachusetts residents. If for any reason a court of competent jurisdiction finds any provision of the License, or portion thereof, to be unenforceable, that provision of the License shall be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of the License shall continue in full force and effect.

9. Use of the Product. PC411 agrees to use the Listings in accordance with local, state, and federal laws, which may limit PC411's use of the Listings for certain applications such as direct marketing, telemarketing and other uses.

10. Confidentiality. The terms of this License and any non-public, proprietary information marked as confidential and disclosed by one party to the other constitute confidential information and neither party will disclose or disseminate any confidential information without the permission of the other party. Notwithstanding the foregoing, each party may disclose the existence of this License and descriptions of each other's products in its marketing and advertising efforts.

11. Complete Agreement. The License constitutes the entire agreement between the parties with respect to the Listings and supersedes all prior or contemporaneous understanding or agreements, written or oral, regarding such subject matter. The terms of this License supersede any license agreement included with any compact disc or other media that Pro CD may use to transfer the Listings to PC411. No amendment to or modification of the License will be binding unless in writing and signed by an officer of Pro CD and PC411.

12. Notice and Legal Addresses of the Parties. All notices and communications under the License shall be in writing and shall be delivered to the parties hereto at the addresses given below until such time as either of the parties shall notify the other as to any change in such address. All notices shall be deemed duly given (a) upon delivery, if delivered by hand or by fax and confirmed by the recipient, or (b) five days after posting, if sent by registered mail, receipt requested.

Addresses of the Parties:

Pro CD, Incorporated  
Attention: Chris Pooley, Executive Vice President  
222 Rosewood Drive  
Danvers, MA 01923-4520  
Facsimile: 508-750-0010

PC411, Inc.  
Attention: Christopher C. Hansen, President  
9800 La Cienega Blvd., Suite 411  
Inglewood, CA 90301-4440  
Facsimile: 310-645-1112

IN WITNESS THEREOF, the parties hereto agree to the foregoing.

Pro CD, Inc.

By: \_\_\_\_\_

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

Title: \_\_\_\_\_

PC411, Inc.

By: \_\_\_\_\_

Name: Christopher C. Hansen

Title: President

## LICENSE AGREEMENT

1. The PC411 service (the "Service") consists of software (the "Software") provided by PC411, Inc. ("PC411") and information provided by PC411 and third parties ("Information Providers") which may be accessed over the Service. These terms constitute the entire and only agreement (the "Agreement") between PC411 and the individual that has registered with PC411 to use the Service (the "Customer") and supersede all other communications and agreements with regard to the subject matter hereof.

2. Customer's right to use the Service is not transferable and is subject to any limits established by PC411, or by Customer's credit card company if payment is made by credit card. PC411 grants to Customer a personal, non-exclusive license to use and display the Software on the computer of which Customer is the primary user. Customer may use and display the Software on a second computer for Customer's personal use. In no case shall Customer's account be used by any individual or business other than Customer. Customer may make copies of the Software and distribute such copies to other potential customers for their personal use on computers on which they are the primary users so long as such other potential customers establish their own personal accounts with PC411. Each additional customer is bound individually by the terms of this Agreement. The Software constitutes licensed, copyrighted material and as such Customer specifically agrees not to sell, rent, sublicense, or in any way generate income from the distribution of the Software. Customer shall not modify or alter the Software in any way or use the Software for any purpose other than to use the Service. Title and all ownership in the Software shall at all times remain with PC411. All copies of the Software made by Customer shall contain the following copyright notice: "Copyright -C- 1996 PC411, Inc."

3. Except as expressly permitted in this Agreement, Customer may not reproduce, redistribute, retransmit, publish or otherwise transfer, or commercially exploit any information or software which Customer receives through the Service. The entire contents of the Service are copyrighted as a collective work under the United States Copyright laws. The listings provided by PC411 to Customer are licensed to PC411 by Pro CD, Inc., Danvers, MA ("Pro CD") and are hereby sublicensed to Customer. Title and all ownership in the listings are and shall at all times remain

with Pro CD. The listings constitute licensed material and in order to protect them, Customer specifically agrees not to sell, rent, loan, lease, sublicense, assign, distribute, transfer or provide the listings to others and agrees not to transfer the listings to any computer other than a computer employed by Customer. Customer agrees to use the Service in accordance with local, state, and federal laws, which may limit Customer's use of the Service for certain applications such as direct marketing and other uses. Customer agrees that neither the Software, information obtained from the Service, nor any other derivative material obtained from the Service will be exported by it outside the United States, except as authorized and permitted by the laws and regulations of the United States.

4. Customer shall pay by credit card (unless other method of payment is authorized) for any and all charges incurred by Customer and any and all deposits, advance payments, or registration fees required for use of the Service at the rates in effect for the billing period in which those charges are incurred. Prices are subject to change without notice. Customer shall be responsible for all applicable taxes relating to use of the Service. Customer is responsible for and must provide all telephone and other equipment and telephone services necessary to access the Service, which is located in the 310 area code in California, USA. Customer shall be responsible for all use of the Service accessed through its PC411 account.

5. Customer expressly agrees that use of the Service is at Customer's sole risk. Neither PC411 nor any of its Information Providers warrant that the Service will be uninterrupted or error free; nor does PC411 or any of its Information Providers make any warranty as to the results to be obtained from use of the Service. The Service is distributed on an "as is" basis without warranties of any kind, either express or implied, including but not limited to warranties of title or implied warranties of quality, performance,

merchantability or fitness for a particular purpose. Neither PC411 nor anyone else involved in creating, producing or delivering the Service shall be liable for any direct, indirect, incidental, special, punitive, exemplary or consequential damages arising out of use of the Service or inability to use the Service. Customer expressly acknowledges that the provisions of this section shall also apply to the third party information. Customer agrees to indemnify PC411 against liability for any and all use of Customer's PC411 account.

6. The provisions of sections 3 and 5 are for the benefit of PC411 and the Information Providers, and each shall have the right to assert and enforce such provisions directly on their own behalf.

7. PC411 may modify this Agreement or may discontinue or revise any or all aspects of the Service at its sole discretion and without prior notice. PC411 reserves the right in its sole discretion to suspend or terminate the Service to any Customer at any time.

8. PC411 warrants the media on which the Software is recorded to be free from defects in materials and workmanship under normal use for a period of ninety (90) days from the date of delivery. PC411's entire liability and PC411's exclusive remedy will be the replacement of the media not meeting PC411's limited warranty and which is returned to PC411. Except as provided in this section, PC411 makes no warranty or representation, either express or implied, with respect to the media or the Service, including its quality, performance, merchantability or fitness for a particular purpose. The warranty set forth in this section is exclusive and in lieu of all others, oral, written, express or implied. No PC411 dealer, distributor, agent or employee is authorized to make any modification or addition to this warranty. In no event will PC411 be liable for direct, indirect, special, incidental, punitive, exemplary or consequential damages arising out of the use or inability to use the media or the Service, whether based upon contract, negligence, strict liability or otherwise, even if advised of the possibility of such damages.

9. This Agreement is made, and shall be governed by and construed in accordance with, the law of the State of California as applied to agreements made in and to be performed entirely within California. Any cause of action of Customer with respect to the Service must be instituted within one year after the claim or cause of action has arisen or it shall be barred. If any provision of this Agreement is determined to be invalid by a court of competent jurisdiction, all other provisions shall remain in full force and effect. The provisions of sections 3, 5 and 6 and all obligations of and restrictions on Customer shall survive any termination of this Agreement.

EXHIBIT 23.1

ACCOUNTANTS' CONSENT

The Board of Directors  
PC411, Inc.:

We consent to the use of our reports included herein and to the reference to our firm under the headings "Selected Financial Data" and "Experts" in the prospectus.

Our report dated April 5, 1996, except as to notes 2, 3, 5 and 9 which are as of January 29, 1997, contains an explanatory paragraph that states that the Company has suffered recurring losses from operations and has a net capital deficiency, which raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of that uncertainty.

KPMG Peat Marwick LLP

Long Beach, California  
February 10, 1997