

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

COMMISSION FILE NUMBER 0-22563

PC411, INC.

(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

DELAWARE 95-4463937
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) (I.R.S. EMPLOYER IDENTIFICATION NUMBER)

9800 S. LA CIENEGA BLVD.
INGLEWOOD, CA 90301
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(310) 645-1114

(ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE)

CHECK WHETHER THE ISSUER (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE EXCHANGE ACT DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.
YES [X] NO []

AS OF NOVEMBER 14, 1997, THERE WERE OUTSTANDING 2,972,500 SHARES OF THE ISSUER'S COMMON STOCK, \$.01 PAR VALUE.

PC411, INC.
QUARTERLY REPORT ON FORM 10-QSB
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

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PC411, INC.

BALANCE SHEETS

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	September 30, December 31,	
	1997	1996
	(Unaudited)	(Audited)

<S>

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ASSETS:

Current assets:

Cash and cash equivalents	\$ 228,258	\$ 8,605
Short-term investments	4,748,862	--
Accounts receivable	--	10,947
Prepaid expenses	148,089	192,865

Total current assets	5,125,209	212,417
----------------------------	-----------	---------

Property and equipment, net	133,033	132,972
-----------------------------------	---------	---------

Total assets	\$ 5,258,242	\$ 345,389
--------------------	--------------	------------

CURRENT LIABILITIES:

Accrued expenses	\$ 133,818	\$ 192,992
Deferred revenue	57,254	25,387
Related party demand loan payable	--	327,065

Total current liabilities	191,072	545,444
---------------------------------	---------	---------

Commitments and contingencies	--	--
-------------------------------------	----	----

STOCKHOLDERS' EQUITY (DEFICIT):

Preferred stock, Series A \$.01 par value. Authorized 5,000,000 shares; issued and outstanding 0 and 1,820 shares at September 30, 1997 and December 31, 1996, respectively, liquidation value of \$550 per share	--	18
Common Stock, \$.01 par value. Authorized 25,000,000 shares; issued and outstanding 2,972,500 and 4,240 at September 30, 1997 and December 31, 1996, respectively	29,725	42
Additional paid-in capital	7,409,809	1,406,427
Accumulated deficit	(2,372,364)	(1,606,542)
	-----	-----
Net stockholders' equity (deficit)	5,067,170	(200,055)
	-----	-----
Total liabilities and stockholders' equity (deficit)	\$ 5,258,242	\$ 345,389
	=====	=====

</TABLE>

See accompanying Notes to Financial Statements

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PC411, INC.

STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
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	Three Months Ended		Nine Months Ended	
	September 30, 1997	September 30, 1996	September 30, 1997	September 30, 1996
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 20,619	\$ 3,331	\$ 112,660	\$ 23,084
Cost and expenses:				
Cost of revenues	25,309	29,163	96,833	56,673
Research and development .	100,690	69,847	125,329	220,372
Sales and marketing	80,076	3,780	146,252	23,085
General and administrative	237,029	92,502	523,675	305,494
	-----	-----	-----	-----
	443,104	195,292	892,089	605,624
	-----	-----	-----	-----
Operating loss	(422,484)	(191,961)	(779,428)	(582,540)
	-----	-----	-----	-----
Other income (expense):				
Interest and other income	72,935	484	108,408	4,233
Interest expense	--	(84,656)	(94,002)	(84,656)
	-----	-----	-----	-----
Other income (expense) ...	72,935	(84,172)	14,406	(80,423)
	-----	-----	-----	-----
Income taxes	--	--	800	800
	-----	-----	-----	-----
Net loss	(349,549)	(276,133)	(765,822)	(663,763)
	-----	-----	-----	-----
Dividend requirements	--	--	(296,953)	--
	-----	-----	-----	-----

Net loss to common stock	\$ (349,549)	\$ (276,133)	\$ (1,062,775)	\$ (663,763)
Net loss per common share	\$ (.12)	\$ (.38)	\$ (.44)	\$ (.91)
Shares used in computing net loss per share	2,972,500	732,390	2,390,217	732,390

</TABLE>

See accompanying Notes to Financial Statements

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PC411, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997
(UNAUDITED)

<TABLE>
<CAPTION>

	Preferred Stock	Additional Common Stock	paid-in capital	Total Accumulated Deficit	stockholders' equity (deficiency)	
	-----	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	<C>	
Balance, December 31, 1996.....		\$ 18	\$ 42	\$1,406,427	\$(1,606,542)	\$(200,055)
Net loss.....	--	--	--	(765,822)	(765,822)	
Conversion of preferred stock to common stock.....	(18)	86	(68)	--	--	
Stock split.....	--	22,096	(22,096)	--	--	
Contribution of common stock to company.....	--	(6,324)	6,324	--	--	
Issuance of stock to legal counsel.....	--	600	(600)	--	--	
Sale of common stock in initial public offering.....	--	13,225	5,871,775	--	5,885,000	
Payment of preferred dividend.....	--	--	(171,953)	--	(171,953)	
Sale of warrants to related party.....	--	--	250,000	--	250,000	
Interest component of stock option granted.....	--	--	70,000	--	70,000	

Balance, September 30, 1997.....	\$ --	\$29,725	\$7,409,809	\$(2,372,364)	\$5,067,170
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</TABLE>

See accompanying Notes to Financial Statements

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PC411, INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	----- Nine Months Ended -----	
	September 30, 1997	September 30, 1996
	----- <C>	<C> -----
<S>		
Cash flows from operating activities:		
Net loss.....	\$ (765,822)	\$ (663,763)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation.....	30,011	28,433
Interest component of stock options granted.....		70,000
Changes in assets and liabilities:		
Accounts receivable.....	10,947	(5,325)
Prepaid expenses.....	44,776	(48,779)
Accrued expenses.....	(59,174)	90,877
Deferred revenues.....	31,867	19,602
	-----	-----
Cash used in operating activities.....	(637,395)	(578,955)
	-----	-----
Cash flows from investing activities:		
Purchase of short-term investments.....	(4,847,779)	--
Sale of short-term investments.....	98,917	--
Acquisition of property and equipment.....	(30,072)	(10,284)
	-----	-----
Cash used in investing activities.....	(4,778,934)	(10,284)
	-----	-----
Cash flows from financing activities:		
Increase (decrease) in loan payable.....	(327,065)	319,779
Proceeds from common stock offering.....	5,885,000	--
Payment of preferred dividends.....	(171,953)	--
Sale of warrants.....	250,000	--
	-----	-----
Cash provided from financing activities.....	5,635,982	319,779
	-----	-----
Net increase (decrease) in cash.....	219,653	(269,460)

Cash and cash equivalents at beginning of period.....	8,605	370,827
	-----	-----
Cash and cash equivalents at end of period.....	\$ 228,258	\$ 101,367
	=====	=====

</TABLE>

See accompanying Notes to Financial Statements

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PC411, INC.

NOTES TO FINANCIAL STATEMENTS
(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 digitally to users of personal computers.

INITIAL PUBLIC OFFERING

On May 21, 1997, the Company completed an initial public offering ("IPO") of 1,322,500 units (including 172,500 units from the exercise of the Underwriter's over allotment option), each unit consisting of one share of Common Stock and one Redeemable Class A Warrant to purchase a share of Common Stock. The units were sold for \$5.75 each and the Company received, after expenses of the IPO, approximately \$5.9 million in net proceeds.

(2) PRINCIPLES OF REPORTING

The financial statements of the Company as of September 30, 1997 presented herein have been prepared by the Company and are unaudited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position as of September 30, 1997 and the results of operations and cash flows for all periods presented have been made. Results for the interim periods are not necessarily indicative of the results for the entire year.

These financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 1996 included in the Company's Registration Statement on Form SB-2, as amended (No. 333-21545).

USE OF ESTIMATES

The preparation of the 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.

STOCK OPTIONS

The Company applies APB Opinion No. 25 and related Interpretations in

accounting for its stock options. In 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation", which, if fully adopted, changes the methods of recognition of cost on certain stock options.

PC411, INC.

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

SHORT-TERM INVESTMENTS

The Company's short-term investments comprise readily marketable debt securities with remaining maturities of more than 90 days at the time of purchase. The Company has classified all of its short-term investments as available for sale under the provisions of Statement of Financial Accounting Standards 115, "Accounting for Certain Investments in Debt and Equity Securities". Available for sale securities are stated at fair value with unrealized gains and losses included in stockholders' equity. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income.

As of September 30, 1997, the Company had approximately \$1.9 million in U.S. Government Obligations and approximately \$2.8 million in commercial paper and bonds. The fair value of these short-term investments approximated their amortized costs and, accordingly, no unrealized gains or losses are included in stockholders' equity.

New Accounting Pronouncements

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). SFAS 128 specifies new standards designed to improve the earnings per share ("EPS") information provided in financial statements by simplifying the existing computational guidelines, revising the disclosure requirements, and increasing the comparability of EPS data on an international basis. Some of the changes made to simplify the EPS computations include: (a) eliminating the presentation of primary EPS and replacing it with basic EPS, with the principal difference being that common stock equivalents (CSEs) are not considered in computing basic EPS, (b) eliminating the modified treasury stock method and the three percent materiality provision, and (c) revising the contingent share provisions and the supplemental EPS data requirements. SFAS 128 also makes a number of changes to existing disclosure requirements. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. The Company has not yet determined the impact of the implementation of SFAS 128.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income". SFAS 130 establishes standards for reporting and display of comprehensive income. The purpose of reporting comprehensive income is to present a measure of all changes in equity that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners. SFAS 130 requires that an enterprise classify items of other comprehensive income by their nature in the financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. SFAS 130 is effective for fiscal years beginning after December 15, 1997, with the earlier application permitted. The Company has not yet determined the impact of the implementation of SFAS 130.

(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 ("New Valley"), an indirect majority owner of the Company's shares of Common 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 were due on demand and bore interest at 12% per annum. In May 1997, the Company issued to New Valley 1,000,000 Redeemable Class A Warrants at the IPO price of \$.25 per warrant in satisfaction of \$250,000 of indebtedness under the Loan Agreement and the remaining balance due under the Loan Agreement of \$447,064 was satisfied out of the net proceeds of the IPO.

In January 1997, the Company granted to Direct Assist Holding Inc., a wholly-owned subsidiary of New Valley, options to acquire 500,000 shares of Common Stock at \$5.75 per share, which fully vested upon the completion of the IPO. Such options were issued in connection with services provided on behalf of the Company's IPO, for the Preferred Stock private placement by New Valley, and for the Loan Agreement provided to the Company by New Valley. For financial reporting purposes, the Company has recorded \$125,000 of the value assigned to these options as a dividend on Preferred Stock for the period January 1, 1997 through May 22, 1997. In addition, the Company has recorded imputed interest expense of \$70,000 arising from the issuance of such options during the period from January 1, 1997 through May 22, 1997.

(4) STOCK OPTION PLAN

The Company has a stock option plan, "1997 Stock Option Plan" (the "1997 Plan"). The 1997 Plan provides for the grant of options to purchase the Company's stock to the employees and directors of the Company. Subject to certain limitations under the 1997 Plan, the number of awards, the terms and conditions of any award granted thereunder (including, but not limited to, the exercise price,

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PC411, INC.

NOTES TO FINANCIAL STATEMENTS - (CONTINUED) (UNAUDITED)

grant price or purchase price) are at the discretion of the Board of Directors. The Board of Directors had set aside 750,000 shares of the Company's common stock for issuance under the 1997 Plan. In January 1997, the Company's Board of Directors authorized the grant of 404,000 stock options at an exercise price of \$4.40 under the 1997 Plan. One third of such options vested upon the completion of the IPO 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 \$4.40, post-stock split; accordingly, no compensation expense was recognized for these options. In April and May 1997, an aggregate of 102,000 stock options were granted at an exercise price of \$5.50 per share, of which 15,060 became exercisable on the completion of the IPO. All stock options under the 1997 Plan are subject to an eighteen month lock-up agreement with the underwriter of the IPO which expires November 1998.

Stock options issued in 1995 and 1996 under a 1994 stock option plan which was terminated in 1997, vest over a three-year period and have an exercise price of \$11.50 per share. At September 30, 1997, 3,455 of the granted options were outstanding and exercisable.

Additionally, in connection with its IPO, the Company granted to the underwriter of the offering options to purchase 73,600 units, at the exercise price of \$9.49 per unit. Each unit consists of one share of Common Stock and one warrant to purchase an additional share at the price of \$6.10.

In addition to the options issued in connection with the stock option plans, the Company has granted other parties certain stock options as described in Note 3.

(5) PREFERRED STOCK

The Company has the authority to issue 5,000,000 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. Dividends at an annual rate of \$55 per share on the Series A Preferred Stock were cumulative from the date of original issue and are payable annually in arrears, when and as declared by the Company's Board of Directors.

On January 29, 1997, all 1,820 outstanding shares of Preferred Stock were converted into 8,626 shares (1,490,000 shares after stock split) of Common Stock, and the cumulative dividends on the Preferred Stock of \$171,953 were subsequently declared and paid on May 22, 1997 out of the net proceeds of the IPO.

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PC411, INC.

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

The following discussion and analysis of the Financial Condition and Results of Operations of the Company should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included in the Company's Registration Statement on Form SB-2 (No. 333-21545) relating to its initial public offering, which was completed in May 1997.

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. The PC411 service is available over the Internet at the address [HTTP://WWW.PC411.COM](http://WWW.PC411.COM). The Company is scheduled to release its newest version of software (Release 3.0) in November 1997. Based on a 32-bit architecture for optimized performance, the Company's software has been enhanced to provide a quicker, easier to use search tool to find names and phone numbers, along with street addresses of people and businesses anywhere in North America.

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 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 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.

In addition, 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 and retaining such

customers which are difficult to forecast accurately. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue 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

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PC411, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

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 and pays a percentage of revenues earned from the display of the listing data, with a minimum annual payment. The Company charges its customers an annual subscription fee. The Company has entered into distribution agreements with the following companies: IBM (Aptiva), HP (Vector), Multimedia Labs (representing 3Com), The Media Form (representing Hayes modems), 3Com/US Robotics and Silicom Multimedia (representing AST). PC411 FOR WINDOWS is pre-installed on a computer's hard drive or copy of PC411 FOR WINDOWS is included on a CD with the purchase of a modem. The Company pays distribution fees to these equipment manufacturers 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 revenue growth in recent months due to these distribution 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 bundling agreements with other third parties.

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.

INITIAL PUBLIC OFFERING

On May 21, 1997, the Company completed an initial public offering ("IPO") of 1,322,500 units (including 172,500 units from the exercise of the Underwriter's over-allotment option), each unit consisting of one share of Common Stock and one Redeemable Class A Warrant to purchase a share of Common Stock. The units were sold for \$5.75 each and the Company received, after expenses of the IPO, approximately \$5.9 million in net proceeds.

RESULTS OF OPERATIONS

REVENUES. The Company's revenues have been derived from registration fees and usage charges for the modem dial-up PC411 service. Revenues are recognized over the period in which the related services are to be provided. Revenues for the three months and nine months ended September 30, 1997 were \$20,619 and \$112,660, respectively, compared to \$3,331 and \$23,084 for the same periods in the prior year. The increase in revenues were due primarily to the bundling arrangements with IBM and U.S. Robotics.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

COST OF REVENUES. Cost of revenues consists primarily of the cost of data and the distribution fees paid to IBM and U.S. Robotics. The Company's contract for the listing data provides for a specified percentage of revenues that the Company generates from distributing the data, with minimum quarterly payments. To date, the Company has been only required to pay the minimum quarterly payments related to the cost of data. Cost of revenues for the three months and nine months ended September 30, 1997 were \$25,309 and \$96,833, respectively, as compared to \$29,163 and \$56,673 for the same periods in the prior year. The increase is due primarily to the increase in revenues which increases the distribution fees related to the distribution arrangements with IBM and U.S. Robotics.

RESEARCH AND DEVELOPMENT. Research and development expenses consist primarily of employee compensation and consulting fees associated with the design, programming, and testing of the PC411 service and its software upgrade. Research and development expenses for the three months and nine months ended September 30, 1997 were \$100,690 and \$125,329, respectively, as compared to \$69,847 and \$220,372 for the same periods in the prior year. The increase in research and development for the three months ended September 30, 1997 was primarily attributable to an increase in the number of programmer hours as a result of the completion of the new version of the Company's software program. Research and development will increase over the next six months as the Windows 95 compatible version of the software is completed.

SALES AND MARKETING EXPENSES. Sales and marketing expenses consist primarily of public relations, print advertising, and trade shows. Sales and marketing expenses for the three months and nine months ended September 30, 1997 were \$80,076 and \$146,252, respectively, as compared to \$3,780 and \$23,085 for the same periods in the prior year. The increase in sales and marketing expenses is due to the Company's effort in obtaining additional bundling arrangements.

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 were \$237,029 and \$523,675 for the three months and nine months ended September 30, 1997, respectively, as compared to \$92,502 and \$305,494 for the same periods in the prior year. The increase in general and administrative expenses is due to an increase in payroll and costs associated with a public company.

OTHER INCOME (EXPENSE). Interest expense was \$94,002 for the nine months ended September 30, 1997. The interest expense was attributed entirely to the loan from New Valley Corporation ("NVC"), an indirect majority owner of the Company. Included in interest expense was \$70,000 in imputed interest attributable to stock options granted to Direct Assist Holding Inc. ("DAH"), a wholly-owned subsidiary of NVC, on January 29, 1997. Interest income for the three months and nine months ended September 30, 1997 was \$72,935 and \$108,408, respectively, which related to interest on the funds received on May 22, 1997 for the initial public offering.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

INCOME TAXES; NET OPERATING LOSS. The Company had no income and therefore made no provision for federal or state income taxes other than the required

California state minimum tax of \$800. At September 30, 1997, the Company had approximately \$1,950,000 of federal net operating loss carryforwards for tax reporting purposes available to offset future taxable income, if any. The amounts of and the benefits from net operating loss carryforwards are subject to certain limitations and these net operating loss carryforwards expire in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception the Company has financed its operations primarily through the sale of common stock, 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, 1997 and 1996 was \$637,395 and \$578,955, respectively. The increase in the cash used in operations in 1997 as compared to 1996 was due primarily to the increase in the net loss for the nine months ended September 30, 1997 as compared to the same period in 1996.

Capital expenditures for the nine months ended September 30, 1997 were \$30,072 as compared to \$10,284 for the nine months ended September 30, 1996. These expenditures were primarily for computer equipment.

Cash provided by financing activities for the nine months ended September 30, 1997 was \$5,635,982, of which \$5,885,000 related to proceeds from the initial public offering. On May 22, 1997, the Company issued to NVC warrants in satisfaction of \$250,000 of indebtedness under the NVC loan agreement and net proceeds from the IPO were used to repay NVC the then remaining outstanding balance of the loan and accrued interest of \$447,064. Financing for the cash used in operations for the nine months ended September 30, 1996 was provided through the sale of 1,820 shares of Preferred Stock to DAH for \$1,001,000 on May 28, 1995 and through the NVC loan agreement. On January 29, 1997, the Company converted the 1,820 shares of Preferred Stock into 8,626 shares of Common Stock (1,490,000 shares after stock split) and paid the cumulative dividends thereon of \$171,953 on May 22, 1997 out of net proceeds from the IPO.

As noted above, the Company completed the sale of 1,322,500 units at a price of \$5.75 per unit and received net proceeds after IPO expenses of approximately \$5.9 million. After the repayment of the NVC loan, cumulative Preferred Stock dividends, and an \$80,000 consulting fee to the Underwriter of the IPO, the Company had approximately \$5.4 million to use to complete the introduction of the PC411 service over the Internet, to expand marketing, sales and advertising, to develop or acquire new services or databases, and for general corporate purposes.

PC411, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

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.

The Company believes that the net proceeds from the IPO 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 the Company will be able to continue as a going concern for the next 12 months.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Company and its representatives may from time to time make oral or written "forward-looking statements" within the meaning of the Private Securities Reform Act of 1995 (the "Reform Act"), including any statements that may be contained in the foregoing "Management's Discussion and Analysis of Financial Condition and Results of Operations", in this report and in other filings with the Securities and Exchange Commission and in its reports to stockholders, which represent the Company's expectations or beliefs with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties and, in connection with the "safe-harbor" provisions of the Reform Act, the Company is hereby identifying important factors that could cause actual results to differ materially from those contained in any forward-looking statements made by or on behalf of the Company.

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 (small office/home office) 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.

Results actually achieved may differ materially from expected results included in these statements as a result of these or other factors particularly in light of the Company's early stage operations. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date on which such statements are made. The Company does not undertake to update any forward-looking statement that may be made from time to time on behalf of the Company.

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PC411, INC.

PART II. OTHER INFORMATION

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On May 21, 1997, the Company completed an initial public offering ("IPO") of 1,322,500 units (including 172,500 units from the exercise of the Underwriter's over-allotment option), each unit consisting of one share of Common Stock and one Redeemable Class A Warrant to purchase a share of Common Stock. The units were sold for \$5.75 each and the Company received, after expenses of the IPO, approximately \$5.9 million in net proceeds.

On August 14, 1997, the Company filed its initial report of sales of securities and use of proceeds therefrom on Form SR. Form SR has been discontinued and the Company will continue to report the following information in the Company's quarterly and annual filings until the proceeds have been fully used.

1. The offering commenced May 14, 1997 and all registered securities were sold.
2. The managing underwriter was Biltmore Securities, Inc.
3. Title of Securities:
 - a. Units - Each Unit consists of one share of common stock and one Redeemable Class A Warrant.
 - b. Common Stock - Common Stock included in Units, Par value \$.01.
 - c. Redeemable Class A Warrants ("Warrants") - Each Warrant is convertible into one share of Common Stock at an exercise price of \$6.10.
 - d. Common stock issuable upon conversion of the Warrants ("Other Common Stock").
 - e. Underwriter's Options - The Underwriter's Options are

convertible into Units at an exercise price of \$9.49.

4. The Amount and Aggregate Offering Price of Securities Registered and Sold to Date For the Account of the Issuer:

<TABLE>
<CAPTION>

Title of Security	Aggregate Price of Offering		Aggregate Offering Price	
	Amount Registered	Amount Registered	Amount Sold	of Amount Sold
<S>	<C>	<C>	<C>	<C>
Units	1,322,500	\$7,604,375	1,322,500	\$7,604,375
Common Stock	1,322,500	--	--	--
Warrants	1,322,500	--	--	--
Other Common Stock	1,322,500	\$8,067,250	--	--
Underwriter's Options	73,600	\$1,147,424	--	--

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PC411, INC.

PART II. OTHER INFORMATION

5. Expenses Incurred in Connection with Issuance of Securities:

Underwriting discounts and commissions	\$760,438
Expenses paid to underwriters	\$228,131
Other expenses (estimated)	\$730,880

(All expenses were direct or indirect to others)

6. Net offering proceeds after the total expenses above were \$5,885,000.

7. Amount of net offering proceeds used for each of the purposes listed below:

Amounts paid to affiliates of the Company:

Repayment of Indebtedness	\$ 619,016
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Amounts paid to others:

Temporary investments:

US Government Obligations	\$1,906,352
Commercial paper	\$1,969,570
Bankers acceptance	\$ 873,940
Purchase of equipment	\$ 27,250
Employee compensation - estimated	\$ 200,000
Other working capital - estimated	\$ 289,872

Item 5. OTHER INFORMATION

Effective as of July 31, 1997, the Company's Common Stock (symbol: PCFR), Redeemable Class A Warrants (symbol: PCFRW), and Units (symbol: PCFRU) began trading on the Nasdaq SmallCap Market. Such securities had previously traded on the OTC Bulletin Board.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

- 10.1 Distribution Agreement between the Company and The Media Farm
- 10.2 Distribution Agreement between the Company and Silicon Multimedia Systems, Inc.
- 10.3 License Agreement with Axiom Corporation
- 27. Financial Data Schedule (for SEC use only)

(b) REPORTS ON FORM 8-K

None

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PC411, INC.

SIGNATURE

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

PC411, INC.
(Registrant)

Date: November 14, 1997

By: /s/ROBERT M. LUNDGREN

Robert M. Lundgren
Vice President, Treasurer
and Chief Financial Officer
(Duly Authorized Officer and
Chief Accounting Officer)

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EXHIBIT 10.1

DISTRIBUTION AGREEMENT

THIS DISTRIBUTION AGREEMENT ("Agreement") is made this 16th day of September, 1997 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. ("PC411"), a Delaware corporation having its principal place of business at 98000 La Cienega Blvd., Suite. 400, Inglewood, CA 90301-4440.

1. DEFINITIONS

- 1.1. PROGRAM. "Program" means the information, entertainment, communications or other program(s) and any related materials, including computer software programs and related documentation, 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-I, 3D-O, and CDTV).
- 1.3. PRODUCTS. "Products" means USR's "Sportster" line of modems and all successor models to the "Sportster" line. "Products" also may include, in USR's sole discretion, other USR product lines, such as "Courier," "Megahertz," telephony and other USR information access products.
- 1.4. TERRITORY. "Territory" means the United States and Canada.

2. GRANT OF RIGHTS

- 2.1. GRANT. Vendor grants to USR the non-exclusive, royalty-free rights, under copyright and otherwise, to copy and duplicate, or have copied and duplicated, 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.
- 2.3. 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. Such fees shall be paid to USR for so long as Vendor receives revenues or advertising exposure arising out of the distribution of such CD-ROM Devices, irrespective of the expiration or termination of this Agreement.
- 3.2. PAYMENT. Vendor will compute and make all payments for fees due USR according to Section 3.1 herein, accompanied by accounting statements, within thirty (30) days after the end of each quarter for which payments are due. USR will compute and issue invoices, accompanied by accounting statements, for CD-ROM Device booklet advertisements to Vendor within thirty (30) days after the beginning of each calendar quarter for shipments forecasted within that quarter. USR will also compute and issue invoices or credits, accompanied by accounting statements, that reconcile discrepancies between forecasted and actual shipments of CD-ROM Device booklet advertisements to Vendor within thirty (30) days after the end of each calendar quarter. Payment for such advertising invoices is due within thirty (30) days from date of invoice. All payments shall be remitted to: Connections CD-ROM, U.S. Robotics, 7770 No. Frontage Rd., Skokie, IL 60077.
- 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 and upon reasonable notice, examine Vendor's books and records relating to amounts due to USR under this Agreement, 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. Such examination shall take place no more than once within any consecutive twelve (12) month period. 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, within ten (10) business days of

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.

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 has the right to design and control the content of the Program, subject only to USR's rights under Section 5.3 herein.
- 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.
- 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. 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, except that USR shall have no such right in the event Vendor terminates this Agreement for breach by USR pursuant to Section 5.2 below.
- 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. USR shall have the right to disapprove the content of the Program if USR, in its sole discretion, believes that the content violates the personal or property rights of USR or a third party or is otherwise inconsistent with USR's business policies. In the event USR so disapproves the content of the Program 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, PROMOTION, SUPPORT

- 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. SYNOPSES 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

authorize others to do so, without payment to Vendor.

- 6.3. **TRADEMARKS.** USR shall have the right to reproduce and 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, use of USR's trademarks, trade names, designs and art work, or the distribution of the Program with the CD-ROM Devices.
- 6.6. **TRADE SHOWS; USR DEMO UNITS.** Upon Vendor's request, USR may, in its sole discretion, give to Vendor one or more modems for the purpose of trade show demonstrations of the Program. Vendor shall take title to the modems. USR will provide such modems, if at all, on an "AS IS" basis, without any warranties whatsoever, either express or implied. Vendor shall clearly display USR tent cards and/or collateral when demonstrating Vendor products with the USR modems, and shall otherwise use USR trademarks and trade names in accordance with USR's instructions. USR shall have the right to require Vendor, at any time, to cease using the USR trademarks and trade names.
- 6.7. **CUSTOMER SUPPORT.** Vendor will offer and provide "front-line" customer support to end users of the Program. Vendor's customer support will be available Monday through Friday, except customary holidays, during normal business hours (8:00am to 5:00pm local time). Vendor will prominently display its customer support telephone number(s) and address(es) within the Program software and/or documentation. Vendor also will provide, at USR's request, a reasonable amount of second-line customer support training to USR support personnel, at no charge to USR. USR shall pay its own expenses associated with such training. Unless otherwise agreed, such training shall take place at PC411's place of business. USR may terminate this agreement Pursuant to Section 5.2 if Vendor fails to provide reasonable customer support services to end users or to USR.
- 6.8. **USR BRANDING OF PROGRAM.** Vendor agrees to modify the Program to include the US Robotics logo embedded within the user interface for the version distributed to US Robotics. Size, positioning, and location of the logo shall be mutually agreed upon by the parties, which agreement shall not be unreasonably withheld by either party. Vendor shall use the logo according to the usage guidelines provided by USR from time to time, and shall use the logo in no other manner except as set forth in this paragraph.
- 6.9. **REGISTRATION DATABASE.** Vendor agrees to provide access to its database of customers who purchase or subscribe to its products and/or services as a result of the bundle with USR products hereunder. The information to be made available to USR shall include the customers' names, addresses, phone numbers, fax numbers, email addresses, and any other customer data gathered during the Vendor's registration process. USR or its authorized representative may, at USR's expense and upon reasonable notice, obtain this information in a mutually agreed upon format on a quarterly basis. All information obtained by USR or its authorized representative shall be deemed Confidential Information and used solely for the purpose of USR's marketing and research programs.

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 agrees that it will not permit the duplication, use, publication 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. "Confidential Information" means any terms of this Agreement, any confidential information or data, either oral or written, received from and designated as such by the other party, or any proprietary information or data; but does not include information that is already known by recipient, becomes publicly known through no wrongful act of the recipient, or received from a third party without similar restriction and without breach of this Agreement.

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.

11. MISCELLANEOUS

11.1. ASSIGNMENT. Vendor shall not transfer, delegate or assign this Agreement or any of its rights or obligations hereunder without USR's prior written consent, which shall not be unreasonably withheld. 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. 847-933-5149), 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.** Neither party is the employee, partner, joint venturer agent or legal representative 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.
- 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

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, 9.1, 10.1, 10.2 and 11.

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.

VENDOR COMPANY NAME U.S. ROBOTICS ACCESS CORP.

By: By:

Name: DEAN EAKER Name: MICHAEL SEEDMAN

Title: PRESIDENT/CEO Title: VP & GENERAL MANAGER
PERSONAL COMMUNICATIONS DIV

Date: Date:

EXHIBIT A

PROGRAM

The Program, as defined in Section 1.1 of the CD-ROM Distribution Agreement, is described as follows:

The company's freely distributed electronic enrollment Program to activate subscriptions to PC411 for Windows database using PC411 2.0 and or 3.0 client application.

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:

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 (a) who purchases the product, license, subscription or service offered by Vendor through the Program(s) distributed in the CD-ROM Devices who remains a paying customer for at least ninety (90) consecutive days after the date of purchase; and (b) in the case of a license, subscription or service purchased through recurring payments, who remains a paying customer for at least sixty (60) consecutive days after the date of renewal of original

- 1b. BOUNTY (ONE-TIME FEE). Vendor will pay USR a one-time fee of thirty five percent (35%) of the gross amount due and owing by each New Customer at the time of purchase.
- 2b. ANNUITY (COMMISSION). Vendor will pay USR a commission equal to thirty five percent (35%) of the annual payments made by each New Customer for so long as the New Customer makes annual payments for the license, subscription or service, up to a maximum of three (3) years
3. UPGRADES. Vendor will pay USR a commission equal to thirty five percent (35%) of all gross revenues received by Vendor from each New Customer who purchases or licenses upgrades, enhancements or new versions of the Program for a period of thirty six (36) months from the date that each such New Customer subscribes to the Program.

EXHIBIT 10.2

AFTERMARKET AND DIRECT DISTRIBUTION AGREEMENT

This Software Direct Marketing Agreement ("Agreement") is entered into effective the 4th day of September, 1997 (the "Effective Date"), by and between PC411, Inc., a Delaware corporation with its principal place of business at 9800 La Cienega Blvd., Suite 411, Inglewood, CA 90301 ("Company"), and The Media Farm, Inc., a Texas corporation with its principal place of business at 8409 Pickwick Lane, #252, Dallas, TX. 75225 ("TMF").

RECITALS

WHEREAS, Company and TMF wish to enter into an agreement for which Company's software products will be merchandised or promoted in electronic catalogs for direct purchase by end users, and fulfillment may occur via physical or electronic means.

NOW, THEREFORE, in consideration of the mutual promises herein, and other good and valuable consideration, the adequacy and sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Definitions.

- 1.1. "Catalog" means a catalog in any medium, including without limitation paper, CD-ROM or electronic form (including Internet or other on-line access), to be developed by or for Catalog Developers for purposes of advertising Company's software and the software products of other software licensors to potential customers. Catalogs may include (a) materials provided by Company and selected by each Catalog Distributor, each Catalog Developer, and TMF, (b) Trial Versions of Company's Products and of the software of other licensors (together with related advertising materials), as selected by Catalog Distributors, and/or (C) advertising and other materials relating to the Catalog Distributor and other parties' products, including without limitation, computer related hardware.
- 1.2. "Catalog Content" means Product(s), Trial Versions, and advertising material related to Products provided by Company for inclusion in Catalogs (if selected by the Catalog Distributors, the Catalog Developers, and TMF).
- 1.3. "Catalog Developer" means a third party(ies) selected by TMF or the Catalog Distributor for participation in the Program that is the subject of this Agreement, who will develop Catalogs pursuant to agreements with each Catalog Distributor.
- 1.4. "Catalog Distributor" means a manufacturer of or assembler of computer related hardware or peripherals, an Internet service provider, a print publisher, an on-line publisher (or such other entities as TMF and Company may agree upon). For the purpose of this Agreement, Hayes Microcomputer Products is approved by Company.
- 1.5. "Catalog Distributor Revenue Payments" means the revenue payments that are due to Catalog Distributor in conjunction with subscriptions derived by Company as a consequence of the distribution of its product pursuant to the terms of this Agreement and are set forth in Exhibit B.
- 1.6. "Deliverables" means the materials set forth on Exhibit A.
- 1.7. "Documentation" means Company's standard End User operating instructions, in either printed or electronic form, for the Products.
- 1.8. "Electronic Software Distribution" or "ESD" means electronic distribution of content via downloading from an on-line source, or de-encrypting of encrypted content (including Trial Versions).
- 1.9. "End User" means a person who obtains a Catalog or a Product for his or her use and not for redistribution or resale.

- 1.10. "End User License Agreement" means Company's standard end user license agreement that accompanies a Product.
- 1.11. "Intellectual Property Rights" means copyrights, trade secrets, current or future patent rights of any kind, rights of publicity, know-how and other intellectual property rights of any kind owned by or licensed to an entity, except Trademarks.
- 1.12. "Products" means Company's freely distributed electronic enrollment program to activate subscription services, including current versions and any future updates thereto or new releases thereof (unless otherwise agreed in writing as to a specific Product), and all available translations thereof.
- 1.13. "Replication Version" means an object code duplication disk with a fully functional release of a Product.
- 1.14. "Technical Support" means the standard technical support provided by Company for Products distributed through standard retail channels (which may include, as examples only, telephone support for problem resolution for End Users, and support on how to use Products, and updates or new releases thereof).
- 1.15. "Trademarks" means Company's or its licensor's trademarks and trade names listed in Exhibit C ("Trademarks"), and any additional trademarks or trade names utilized by Company on a Product or Catalog Content.
- 1.16. "Trial Version" means any of the following with regard to the Product
 - (a) a fully functional version which is either compressed and/or encrypted in some manner to restrict its use, (b) a limited edition version, (c) a demonstration version.

2. Marketing Program.

- 2.1. Description of Marketing Program. TMF and Company hereby agree to participate in a marketing program pursuant to which TMF will obtain licenses to the software products and advertising materials of multiple licensors, and sublicense such rights to one or more Catalog Distributors who elect to participate in the Program, and Catalog Developers for the development and distribution of Catalogs. Each Catalog Distributor may determine in its sole discretion whether to select any of Company's Products to be featured in any of its Catalogs, and if so, which Product(s) it wishes to include. TMF will provide certain consulting services to Catalog Distributors with regard to the selection and updating of content for Catalogs, including Company Products and titles of other software licensors participating in the Program, and shall be entitled to exercise its independent judgment with regard thereto. TMF has contracted with a Catalog Developer to provide certain services relating to Catalog development, order processing services, and the payment of revenues by the Catalog Developers for Product sales to software licensors participating in the Program, and may contract with other Catalog Developers in the future. The Catalog Developers may subcontract their obligations, so long as they remain fully liable therefor, and are not in breach of this Agreement or their Agreement with TMF. Catalogs will be developed by each Catalog Developer in conjunction with each Catalog Distributor participating in the Program, in accordance with each Catalog Distributor's specifications. End Users will be entitled to purchase Products in the Catalog from the Catalog Developers as set forth in Section 3.
- 2.2. Threatened Claims. Notwithstanding anything else in this Agreement, if TMF or any Catalog Developer or Catalog Distributor is threatened with, or if any of the foregoing parties reasonably believes that it may be threatened with, a claim or lawsuit based on an allegation that the use or distribution of a Product (including a Trial Version) or the use of any related Trademark infringes the rights of any third party, any such party may withdraw the relevant Product(s) and all related materials (including Trial Versions) from the Program until such claim or lawsuit is resolved to its satisfaction.

2.3. Responsibilities. Nothing in this Agreement shall be construed to obligate TMF, a Catalog Developer or a Catalog Distributor to achieve a specific level of shipments of Catalogs, to achieve a specific level of sales of Products, or to achieve a specific level of revenues or revenue payments to Company. TMF is not responsible or liable (i) for participation by any Catalog Distributor, (ii) for the performance of the obligations or responsibilities of any Catalog Distributor or any Catalog Developer under the Program.

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However, TMF will, on behalf of Company, take appropriate actions under its agreements with Catalog Developer and Catalog Distributor to promote compliance with the terms and conditions of those agreements. Company agrees that each Catalog Developer and each Catalog Distributor shall be deemed a third party beneficiary of this Agreement.

2.4. Catalog Development. TMF will contractually require each Catalog Developer to develop or have developed Catalogs at no cost to Company, except that Company shall be responsible for all costs of developing and providing Catalog Content. Company will cooperate with each Catalog Developer and each Catalog Distributor in the development of the Catalogs. The Catalog Distributors shall have the final decision on all matters regarding the development of Catalogs; provided, however, that TMF shall contractually require that Company shall have a final right of review and approval on all materials utilizing a Trademark, including the placement and presentation thereof, which approval shall not be unreasonably withheld and which shall be subject to the approval procedure set forth in Section 6.

3. Sales. Order processing and End User fulfillment services (through ESD or physical means) for Sales of Products will be as agreed upon by each Catalog Distributor and each Catalog Developer in their sole discretion. Company will consign inventory to the Catalog Developers for fulfillment of sales orders (other than those fulfilled via ESD), unless Company and Catalog Developer agree to manufacture Company's Products from a Replication Version.

4. License Grants and Related Matters.

4.1. Catalog Content License. Company grants TMF a non-exclusive, worldwide, non-transferable (except as set forth in Section 21.5) right and license under Company's Intellectual Property Rights, with the right to sublicense through multiple levels of sublicensees, to use, reproduce, modify solely for the purposes of formatting, publicly and privately display, publicly and privately perform and distribute the Catalog Content as part of any Catalogs and on any web site maintained by a Catalog Distributor. Distribution rights shall include the right to electronically distribute, transmit and/or broadcast each Catalog, by any means now known or later developed. Catalog Distributors may select all or portions of the Catalog Content to utilize (i) as part of a Catalog, (ii) on a stand-alone basis, or (iii) in combination with other materials for posting on Catalog Distributors' web sites.

4.2. License Grants for Encryption and Fulfillment. Company grants TMF a non-exclusive, worldwide, non-transferable (except as set forth in Section 21.5) right and license under Company's Intellectual Property Rights, with the right to sublicense through multiple levels of sublicensees, to:

4.2.1. reproduce Products, only if Company agrees to provide TMF with a Replication Version pursuant to Section 8.1.1, and (ii) distribute Products ordered by End Users, solely for purposes of order fulfillment as described in Section 3.

4.2.2. (a) compress and encrypt the Products in order to create Trial Versions to be included in a Catalog, unless Company provides Trial Versions as set forth in Section 8.1.2.

(b) decrypt and/or provide End Users with a mechanism for decryption of Products included in the Catalog when a sale is made.

4.3. Catalog Content License. Company grants TMF a non-exclusive, worldwide, non-transferable (except as set forth in Section 21.5) right and license under Company's Intellectual Property Rights, with the right to sublicense through multiple levels of sublicensees, to

4.3.1. distribute the Catalog Content with Products and Catalogs distributed in accordance with the license grants set forth in this Agreement;

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4.3.2. reproduce, have reproduced, modify solely for the purpose of formatting, distribute and publicly display the Catalog Content in marketing, advertising and promoting the Products, the Catalog and the Program.

4.4. Marketing Samples License. Company will deliver two (2) physical copies of each Product in accordance with Exhibit A. Company grants TMF a non-exclusive, worldwide, non-transferable (except as set forth in Section 21.5) right and license under Company's Intellectual Property Rights to distribute, publicly perform and publicly display such copies of each Product for purposes of marketing, advertising and promoting the Catalog, the Program, or any manufacturer's computer products. In addition, at TMF's request, Company will promptly deliver to TMF a reasonable number of additional copies of Products which TMF may use for such purposes.

4.5. Related Matters. TMF will not, and will contractually require that the Catalog Developers and Catalog Distributors will not copy or otherwise reproduce, reverse engineer, decompile, disassemble or otherwise modify the Products in whole or in part, except as provided in this Agreement. With regard to any matter which TMF has made a representation in this Agreement that it will impose a contractual requirement on a Catalog Developer or Catalog Distributor, and the associated rights may be sublicensed by the Catalog Developer and/or Catalog Distributor to another party, TMF will require that the Catalog Developer or Catalog Distributor entitled to sublicense such rights will contractually impose the same requirements on the sublicensees.

5. Trademark License and Related Matters.

5.1. Products. Company grants TMF a non-exclusive, worldwide, non-transferable (except as set forth in Section 21.5) right and license to use the Trademarks, with the right to sublicense through multiple levels of sublicensees, in and on the Products, the packaging (if any) for the Products, the Catalog Content, the Catalogs, Trial Versions, and on materials for marketing, advertising and promoting the Catalog and the Program.

1.2. Related Matters. TMF acknowledges that it shall not acquire any rights in the Trademarks as a result of TMF's use thereof, and that all use of the Trademarks shall inure to the benefit of Company. All rights in the Trademarks, other than those specifically granted herein, are retained by Company for its own use and benefit. TMF agrees to use the appropriate trademark symbol (either "(TM)" or "(R)") as designated by Company on Exhibit C) whenever a Trademark is first mentioned in any advertisement, brochure or in any other manner. TMF shall not remove trademark notices from any Product or Catalog Content. TMF's agreements with Catalog Distributors and the Catalog Developers will contain provisions substantially similar to this Section.

5.3. Marketing Collateral. Any marketing material developed by TMF's sublicensees (other than marketing material using unmodified Catalog Content) utilizing Trademarks will require Company's prior approval, which shall not be unreasonably withheld and which shall be subject to the approval procedure set forth in Section 6.

6. Approvals. If Company fails to notify a Catalog Developer, Catalog Distributor or any sublicensee submitting a sample item for approval under Section 5, in writing of its rejection of any sample submitted for approval within five (5) business days of Company's receipt thereof, Company shall

be deemed to have approved the sample submitted. If Company rejects the item, Company shall set forth the reasons for such rejection in sufficient written detail to permit correction. The submitting party may resubmit corrected samples to Company for approval in accordance with this Section. Company will not unreasonably withhold its approval of any sample.

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7. Ownership and Assignment. Company retains ownership of (i) all Intellectual Property Rights in the Products, the Catalog Content, and (ii) the Trademarks. The Catalog Developers or the Catalog Distributors shall (i) own all right, title and interest in each Catalog and all Intellectual Property Rights therein (except the Catalog Content and other rights licensed from third parties), and (ii) retain ownership of all of their own trademarks and any subsequent trademarks used as a trademark under which Catalogs are distributed (except those trademarks that are licensed from third parties). Company hereby transfers and assigns any interest it has in any and all Catalogs (other than in Catalog Content) to the Catalog Developers.
8. Deliverables, Acceptance and Catalog Content.
 - 8.1. Deliverables. Company will deliver the Deliverables to the Catalog Developers on the dates and in conformity with the specifications set forth in Exhibit A (or as otherwise agreed in writing between Company and the applicable Catalog Developer with notice thereof to TMF.).
 - 8.1.1. Replication Versions for Products. Only if Company and a Catalog Developer mutually agree that the Catalog Developer will reproduce any Products as set forth in Section 3, Company shall, within ten (10) business days of such agreement, deliver to such Catalog Developer a Replication Version in the form of a golden master for each such Product. TMF will contractually require that, if the Catalog Developer will reproduce any Product, the Catalog Developer will provide Company with finished samples of the applicable Products, for Company's approval as set forth in Section 2.
 - 8.1.2. Trial Versions. Only if agreed by TMF and Company, Company will provide when and if available, Trial Versions to the Catalog Developers, in accordance with the schedule set forth on Exhibit A for inclusion in Catalogs (if selected by Catalog Distributors). If Company does not provide a Catalog Developer with a Trial Version of a Product, Catalog Developer may create or have created Trial Versions of such Product(s), if agreed by Company. Any such Trial Version shall be submitted to Company for approval in accordance with Section 6.
9. Performance Warranties. Company warrants to TMF, the Catalog Developers and the Catalog Distributors that to the best of its knowledge, the physical media of the Replication Versions provided to each Catalog Developer shall be free from defects in workmanship and materials. Company further warrants to TMF, the Catalog Developers and the Catalog Distributors that the Replication Versions will not contain any known programming errors that materially affect the performance of the Products, as represented by Company. Company further warrants and represents to TMF, the Catalog Developers and the Catalog Distributors that the Product will perform in accordance with the Documentation for a period of one (1) year after the End User purchases the Product; provided, however, that if this warranty is less than the standard warranty provided by Company to End Users for Product, such standard warranty shall be deemed to have been granted to TMF, the Catalog Developers and the Catalog Distributors as to such Products. Company shall provide Company's standard End User warranty to End Users of the Products. Company agrees that TMF, the Catalog Developers and the Catalog Distributors shall be deemed third party beneficiaries of this Section 9.
10. Revenue Participation Payments and Related Matters.
 - 10.1. Revenue from Sales. Company shall pay Catalog Distributor the Catalog Distributor Revenue Payments asset forth on Exhibit B.

10.2. Quarterly Payments and Reports. Company will, within thirty (30) days after the end of each quarter, prepare a quarterly accounting and pay to each Catalog Distributor the Catalog Distributor Revenue Payments on paid subscribers pursuant to the distribution of Products during the preceding quarter in accordance with Section 10.1. Company will include with such payments a report setting forth the number of subscriptions sold as a result of the distribution of Products pursuant to this Agreement during the

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preceding calendar quarter. Company will submit payments and reports for those calendar quarters following termination of this Agreement in which paid subscriptions occur.

10.3. Records. Company will, and each Catalog Distributor will, maintain records relating to the distribution of Products and Catalogs respectively. Company will: (i) retain such records and (ii) make the records available for inspection in connection with an audit as provided in Section 10.5 for a period of one (1) year after the termination of TMF's relationship with the Catalog Developers or Catalog Distributor to which such records relate.

10.4. Audit. Company will allow an independent certified public accountant chosen by TMF or Catalog Distributor and reasonably acceptable to the Company to audit and analyze appropriate accounting records of the audited party to ensure compliance with Section 10. Any such audit shall be limited to no more often than once every twelve (12) months, within thirty (30) days of the audited party's receipt of TMF or Catalog Distributor's written request to audit, during normal business hours, upon reasonable notice and at a mutually agreed upon time. The independent certified public accountant shall maintain in confidence all information reviewed during the audit except information directly related to the amount of payments owed to Catalog Distributor and the number of Catalogs including Products that have been distributed. Audits shall not interfere unreasonably with the audited party's business activities. TMF will contractually require that, in the event the audit reveals that due to Company's intentional or willful acts, the Catalog Distributor Revenue Payments were less than ninety percent (90%) of what should have been paid during the applicable period, the party being audited shall immediately reimburse TMF or Catalog Distributor for the reasonable costs of the audit, as well as any amounts due as result of such audit.

11. Technical Support by Company. Company shall provide Technical Support for the Products to End Users as part of the agreed pricing at no additional charge to TMF, the Catalog Developers or the Catalog Distributors, but reserves the right to charge End Users for such support if that is or becomes Company's standard practice with regard to a particular Product. Company represents that it now has, and shall maintain for the term of this Agreement, the capability to provide Technical Support for its Products.

12. Representations. TMF shall make and TMF will contractually require that the Catalog Developers and Catalog Distributors shall make no representations concerning a Product except for those in the Documentation for that Product, or those that have been previously published by Company or approved by Company prior to being published by TMF, a Catalog Developer or a Catalog Distributor, which approval shall not be unreasonably delayed or withheld. In the event Company fails to respond to a request for such approval for more than ten (10) business days following Company's receipt of a request for such approval, Company shall be deemed to have approved the representations.

13. Customer Data. Any End User data TMF or the Catalog Developers acquires from the purchase by End Users of Products ("Customer Data") will be owned by the Catalog Distributor. Any End User information (i) obtained by Company from End Users who have completed Company's product registration process, or (ii) obtained by Company from performing Technical Support, will be the property of Company.

14. Term; Termination; Obligations on Termination.

14.1. Term. The Initial Term of this Agreement is one year from the date last signed below. This Agreement shall automatically renew at the end of the Initial Term for an additional one (1) year term unless either party elects to terminate the relationship by providing written notice to the other party at least thirty (30) days prior to the end of the then-current term.

14.2. Termination for Material Breach. In the event of a material breach of this Agreement, the non-breaching party shall have, upon thirty (30) days written notice specifying the nature of the breach and provided that the breaching party has not commenced to cure such alleged breach within ten (10) business days nor cured such breach within such thirty (30) day period, the right to terminate this Agreement;

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provided, however, that if the material breach relates to only one Product, the Agreement may be terminated only as to such Product, and this Agreement may continue as to any remaining Products.

14.3. Termination for Business Reasons. Company acknowledges and agrees that the success of the Program depends on the cooperation of each software licensor participant, and upon the appeal of each software licensor's products. Should Company fail to reasonably cooperate with TMF, the Catalog Developers, or the Catalog Distributors in fulfilling its obligations under this Agreement, or should TMF reasonably determine that a Product is not sufficiently appealing to potential customers, TMF may, upon thirty (30) days prior written notice, terminate this Agreement; provided, however, that if the business reasons relate to only one Product, the Agreement may be terminated only as to such Product, and this Agreement may continue as to any remaining Product.

14.4. Rights and Obligations on Termination. Upon any termination or expiration of this Agreement, (i) all licenses and sublicenses granted pursuant to this Agreement shall continue (a) for the purposes of manufacturing and distributing Products for a period of six (6) months, (b) for customer support purposes, and (ii) TMF will immediately discontinue and TMF will contractually require the Catalog Developers and the Catalog Distributors to immediately discontinue the use of the Trademarks, except to exercise their rights under subsection (i). End Users will be permitted continued use of any Product and Catalog Content so long as they are not in breach of their End User License Agreement.

15. Confidential Information. During the term of this Agreement, both parties may be exposed to certain information of the other party concerning the marketing program that is the subject of this Agreement and other information which is the confidential and proprietary information of the disclosing party and not generally known to the public (herein "Confidential Information"). Both parties will either mark their materials as Confidential Information or notify the other party, in writing, that written or oral information is Confidential Information. Both parties agree that during and after the term of this Agreement, they will not use or disclose to any third party any of the other party's Confidential Information for purposes other than set forth in this Agreement without the prior written consent of the other party. Both parties hereby consent to the disclosure of their Confidential Information to the employees of the other party, to the Catalog Developers and to the Catalog Distributor as is reasonably necessary in order to allow each party to perform under this Agreement and to obtain the benefits hereof, subject to obtaining written confidentiality agreements from said employees, Catalog Developer or Catalog Distributor that are at least as protective as this Agreement. This section shall not apply to Confidential Information which: (a) becomes generally known to the public by publication or by any means other than a breach of duty on the part of the recipient hereunder; (b) is information previously known to the recipient; (c) is information independently developed by or for the recipient; or (d) is information released by the owning party without restriction or released pursuant to a judicial or governmental decree.

16. Representations and Warranties.

16.1. Company Representations and Warranties. Company represents and warrants that:

16.1.1. Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. .

16.1.2. Company has all requisite corporate power and full legal right to enter into this Agreement and to perform all of its agreements and obligations under this Agreement in accordance with its terms. This Agreement has been, and as of the Effective Date will be, duly authorized, executed, and delivered by Company and constitutes the legal, valid, and binding obligation of Company.

16.1.3. Neither the Products, the Catalog Content, nor the Trademarks infringe any copyrights, trade secrets, trademarks or other intellectual property or proprietary, privacy or publicity rights of any third party, or, to the best of Company's knowledge, any patent, and Company has not received any notice or claim of any such alleged infringement.

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16.1.4. Company has good and marketable title to, or has the right to license, all of the copyrights, patents, trade secrets, trademarks and other intellectual property rights associated with the Products, the Catalog Content, and the Trademarks, and warrants that it has the right to grant all of the licenses set forth herein.

16.1.5. None of the Intellectual Property Rights or Trademarks associated with the Products, the Catalog Content, or the Catalog Content are subject to any restrictions or to any liens, mortgages, pledges, security interests, encumbrances, or any rights of others of any kind or nature whatsoever that adversely affect or could affect TMF's rights under this Agreement.

16.2. TMF Representations and Warranties. TMF represents and warrants that:

16.2.1. TMF is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas.

16.2.2. TMF has all requisite corporate power and full legal right to enter into this Agreement and to perform all of its agreements and obligations under this Agreement in accordance with its terms. This Agreement has been, and as of the Effective Date will be, duly authorized, executed, and delivered by TMF and, constitutes the legal, valid, and binding obligation of TMF.

16.2.3. TMF will contractually provide in TMF's agreement with the Catalog Developers that Company shall be an express third party beneficiary of the contractual provisions and obligations required to be included in TMF's agreement with the Catalog Developers in Sections 2.3, 4,5, 5.2, 8.1.1, 8.1.2, 9, 12, 21 and including Exhibit B.

17. Limitation of Warranty. THE WARRANTIES SET FORTH IN SECTION 16 ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT OF THIRD PARTY RIGHTS AND FITNESS FOR A PARTICULAR PURPOSE.

18. INDEMNIFICATION. COMPANY SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS

TMF, its officers, directors, employees, agents, and sublicensees, (including any Catalog Developer and any Catalog Distributor and their officers, directors, employees, agents, subcontractors and sublicensees of the foregoing ("Indemnified Parties"), against any claims, actions, demands, losses, and liabilities (including reasonable attorneys' fees) alleging that (i) a Product has failed to perform in accordance with the warranty provided in Section 9,

(ii) a Product has failed to perform in accordance with Company's standard end user operating instructions (whether in printed or electronic form), or (ii) the exercise of any right granted pursuant to this Agreement infringes or otherwise violates any copyright, trademark, patent, trade secret, or other intellectual property right or other proprietary right, including rights of privacy or publicity, of any third party in any jurisdiction.

18.1.Procedure. The Indemnified Party agrees to (i) give prompt written notice to Company of any such claim, action or demand, (ii) allow Company to control the defense and related settlement negotiations and (iii) assist in the defense so long as Company reimburses the Indemnified Party for its reasonable expenses and employee time. The Indemnified Party will invoice Company for such expenses and time on a calendar quarter basis and Company shall pay such reimbursements within thirty (30) days after the invoice from the Indemnified Party. The law firm used by Company to defend the Indemnified Party shall be subject to the Indemnified Party's approval which approval shall not be unreasonably withheld.. If Company does not or cannot fulfill the indemnity obligation set forth above, TMF may defend such suit itself with counsel of its choosing and may deduct the cost of any such defense and any damage or settlement award from amounts due to Company. Any settlement shall be subject to TMF's prior written approval unless Company has obtained unconditional or reasonable release of all of the Indemnified Parties named in the proceeding with respect to such claims.

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18.2. Additional Remedies. Without limiting Company's other obligations under this Agreement, Company may, at its expense, but without obligation to do so, procure for TMF, the Catalog Developers and the Catalog Distributors the right to continue to market, use, and have others use, in accordance with the terms of this Agreement, any allegedly infringing Product(s), or may replace or modify Product(s) to make them non-infringing. If Company elects to replace or modify the Product(s), such replacement shall be subject to all provisions, including acceptance provisions, of this Agreement. Company agrees to reimburse TMF, the Catalog Developers and the Catalog Distributors for any expenses and reasonable costs incurred in connection with replacing an infringing version of Product(s) with a non-infringing version of Product(s).

19. LIMITATION OF LIABILITY.

EXCEPT AS PROVIDED IN SECTION 18, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY EXEMPLARY, INCIDENTAL, CONSEQUENTIAL, INDIRECT, SPECIAL, OR PUNITIVE DAMAGES ARISING OUT OF THIS AGREEMENT OR ITS TERMINATION, WHETHER LIABILITY IS ASSERTED IN CONTRACT, TORT (INCLUDING NEGLIGENCE OR STRICT PRODUCT LIABILITY) OR OTHERWISE, AND IRRESPECTIVE OF WHETHER SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH LOSS OR DAMAGE.

20. NO LIABILITY RE: ENCRYPTION. COMPANY ACKNOWLEDGES AND AGREES THAT TMF, CATALOG DEVELOPERS, AND CATALOG DISTRIBUTORS MAKES NO REPRESENTATION OR WARRANTY WITH REGARD TO THE ENCRYPTION SOFTWARE THAT MAY BE USED TO CREATE TRIAL VERSIONS OR TO PROVIDE ESD FULFILLMENT FOR PURCHASED TITLES. Company covenants not to sue TMF, Catalog Developer or any Catalog Distributor for any matter arising out of or relating to the encryption software used to create Trial Versions or to electronically fulfill orders for Products, and does and will release TMF, Catalog Developer and each Catalog Distributor from any and all claims relating thereto.

21. General.

21.1.Export Controls. TMF acknowledges that the laws and regulations of the United States restrict the export and re-export of commodities and technical data of United States origin, possibly including Products. TMF agrees that it will not and TMF will contractually require the Catalog Developers and the Catalog Distributors to agree that it will not export or re-export any Product in any form, without the appropriate United States and foreign governmental licenses.

21.2.Severability. If any part of this Agreement is found invalid or

unenforceable, that part will be amended to achieve as nearly as possible the same economic effect as the original provision and the remainder of this Agreement will remain in full force.

21.3.No Waiver. No term or provision hereof will be considered waived by either party, and no breach excused by either party, unless such waiver or consent is in writing signed on behalf of the party against whom the waiver is asserted. No consent by either party to, or waiver of, a breach by either party, whether express or implied, will constitute a consent to, waiver of, or excuse of any other, different, or subsequent breach by either party.

21.4.Relationship of the Parties. The parties are independent contractors under this Agreement. No agency, partnership, joint venture or other joint relationship is created hereby and, except as otherwise expressly provided in this Agreement, neither party nor such party's agents have any authority to bind the other party or to incur any obligations on its behalf.

21.5.Assignment. Either party may assign this Agreement to any person or entity to whom it transfers all or substantially all of its rights (i) in Company's case, to the Products, or (ii) in TMF's case, to those rights granted

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under this Agreement, as part of a corporate reorganization, merger or sale of all or substantially all of its assets or sale of its distribution business. Otherwise, neither party may assign, voluntarily, by operation of law, or otherwise, any rights or delegate any duties under this Agreement (other than the right to receive payments) without the other party's prior written consent, which shall not be unreasonably withheld. This Agreement will bind and inure to the benefit of the parties and their respective successors and permitted assigns.

21.6.Force Majeure. Neither party shall be responsible for any failure to perform due to circumstances beyond its reasonable control. In the event of such delay, any applicable period of time for action by said party shall be extended for a period equal to amount such delay; provided, however, that if the delay lasts more than sixty (60) days, either party may terminate the Agreement upon written notice to the other party.

21.7.Notices. Notices under this Agreement shall be sufficient only if mailed by certified or registered mail, return receipt requested, sent by commercial overnight courier with written verification of receipt, personally delivered to the parties, or by facsimile, the receipt of which is confirmed by return facsimile or other written notice of receipt, to the party to be notified at the address set forth below, or at such other place of which the other party has been notified in accordance with the provisions of this Section. Notice by mail will be treated as having been received upon the earlier of actual receipt or five (5) days after posting. Notices shall be addressed as follows:

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For TMF:	For Company:
The Media Farm, Inc. ATTN: Steve Patti 8409 Pickwick Lane, #252 Dallas, TX 75225	PC411, Inc. Attn: Dean Eaker 9800 La Cienega Blvd. Suite 411 Los Angeles, CA 90301

With copies to:	With copies to:
Michael D. Scott, Esq. Scott Technology Law Offices 4 Arbolado Court Manhattan Beach, CA 90266	Neil P. Ritter, Esq. 400 Park avenue, 15th Floor New York, New York 10022 (212)223-1700 (o) or (203) 531-4613 (fax)

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Either party may change the above address for purposes of this Section by giving

the other party written notice of the new address in the manner set forth above.

21.8.Choice of Law. This Agreement shall be construed and its performance enforced in accordance with the laws of the United States and the State of California, excluding its choice of law provisions. The parties agree that the United Nations Convention on Contracts for the International Sale of Goods is specifically excluded from application to this Agreement. The parties consent and waive any objection to the non-exclusive personal jurisdiction of the courts of California.

21.9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

21.10. Survival. In addition to any provisions of this Agreement providing for the continuation of rights or obligations after the termination of this Agreement, the following Sections shall survive any termination of this Agreement: 1, 7, 9, 10, 11, 14.1, 15, 16, 17, 18, 19, 20 and 21.

21.11. Mediation. Prior to either party commencing any litigation against the other, the parties shall engage in at least one eight-hour day of non-binding mediation under the auspices of a member or member group of the National Mediation Association. The parties may, if they wish, select a neutral mediator to participate in the mediation. One or more management representatives of each party with knowledge of the claims and defenses and with authority to dismiss, settle or otherwise resolve the claims shall participate in the mediation. Such mediation shall take place within thirty(30) days of a party's request therefor.

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21.12. Entire Agreement; Modifications. This Agreement, and the Exhibits attached hereto, constitutes the entire understanding between the parties, and supersedes all proposals, oral or written, and all prior or contemporaneous communications between the parties relating to the subject matter of this Agreement. This

Agreement may only be modified by a writing executed by both parties.

IN WITNESS WHEREOF, the authorized representatives of the parties have executed this Agreement.

TMF: COMPANY:
THE MEDIA FARM, INC. PC411, INC.

Authorized Signature Authorized Signature

Name and Title Name and Title: Dean Eaker, President

EXHIBIT A

DELIVERABLES, SPECIFICATIONS AND SCHEDULE

<TABLE>
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Deliverables	Delivery Date	Delivery Location
* Electronic version of sell sheets for Products	Ten (10) days after the Effective Date	Instant Access, International Attn: Greg Rice The Technology Park Colindeep Lane London NW9 6U (or as otherwise instructed by TMF.)
* Electronic file containing Company's logo (e.g., a bitmap file)		

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Marketing Materials

* Listing of application size for each Product (Mb)	Ten (10) days after the Effective Date	Attn: Steve Patti The Media Farm, Inc. 8409 Pickwick Lane #252 Dallas Texas 75225
* Listing of key technologies supported by each Product (e.g. MMX, DVD, MPEG, 3D)		
* Listing of operating system compatibility for each Product (e.g. DOS, Win 95 native, Win95 compatible)		

2.DELIVERABLES OTHER THAN CATALOG CONTENT.

Marketing Samples	Ten (10) days after the Effective Date	Attn: Steve Patti The Media Farm, Inc. 8409 Pickwick Lane #252 Dallas Texas 75225
Two (2) physical copies of each Product		

</TABLE>

EXHIBIT B

REVENUE PARTICIPATION PAYMENTS AND TERRITORIES

Revenue payments	Territories	Languages
20%	NA, LA, EMEA, APAC	English

Calculated from the ninetieth (90th) day after a subscriber's initial enrollment.

KEY

Territories

- * NA - North America
- * LA - Latin and South America
- * EMEA - Europe, Middle East, and Africa
- * APAC - Asia, Australia, New Zealand, Japan

EXHIBIT C

TRADEMARKS

TRADEMARK(S)	FEDERALLY REGISTERED? YES/NO	OWNER OF THE TRADEMARK(S)
PC411	YES	PC411, INC.

EXHIBIT 10.3

PC411 DISTRIBUTION AGREEMENT

DISTRIBUTION AGREEMENT (the "Agreement"), dated as of July, 1997, between PC411, Inc. ("PC411"), 9800 La Cienega Blvd. Ste. 411, Inglewood, CA 90301 and Silicom Multimedia Systems, Inc. (the "Distributor") located at 3335 Kifer Road, Santa Clara, CA 95051

WHEREAS, PC411(R) operates an on-line directory assistance service to personal computer users (the "Service"), which is accessible through the use of its PC411 for Windows software (the "Software");

WHEREAS, the Distributor manufactures and sells computer hardware and software products such as personal computers ("PCs"), CD-ROM disks ("CRDs") and other storage mediums ("OSMs", and together with PCs and CRDs sometimes hereinafter referred to as the "Products"); and

WHEREAS, PC411 desires to grant to the Distributor a license to distribute the Software with its Products, subject to the terms and conditions of this Agreement, so as to make the Service available to end-users thereof (the "Purchasers").

NOW, THEREFORE, the parties hereto agree as follows:

1. LICENSE

1.1 GRANT

Subject to the terms and conditions of this Agreement, PC411 hereby grants to the Distributor a royalty-free, non-exclusive and non-transferable license to distribute by Preloading (as defined herein) and Bundling (as defined herein) the Software with its Products.

"Preloading" shall mean installing the Software on the hard drives of PCs with the serial port, modem type, and modem speed of the PCs correctly configured in the Software so that the Software can be used by a Purchaser without any additional software or without the need to load any software from a 3.5" diskette, a CRD or OSM removable from the computer.

"Bundling" shall mean copying the Software onto either CRDs, 3.5" diskettes or OSMs with the standard documentation or other software that accompanies the Distributor's Products.

1.2 LIMITATIONS

The Software 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 Software except as specifically contemplated by this Agreement. Title and all ownership in the Software shall at all times remain with PC411. All copies of the Software made by the Distributor shall contain the following copyright notice: "Copyright(C) 1996 PC411, Inc." The Distributor agrees not to export the Software 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 Software in connection with the Distributor's marketing of the Software.

2. TERM AND TERMINATION

This Agreement is effective for a term of two (2) years from the date hereof (the "Initial Term") and thereafter shall be extended for three (3) month periods (the "Renewal Periods") unless terminated at the end of the Initial Term or any Renewal Period by either party upon ninety (90) days' prior written notice given to the other party (the Initial Term and any Renewal Periods shall

be referred to as the "Distribution Term"). Upon termination, the Distributor will return all copies of the Software in its possession and cease and desist from Preloading and/or Bundling the Software. Either party may terminate this Agreement due to breach by the other party upon thirty (30) days' written notice.

3. DUTIES OF PC411

3.1 DELIVERY OF SOFTWARE

During the Distribution Term, PC411 shall:

(1) provide the Distributor with three (3) "gold" copies of the Software (and any upgrades thereto as soon as any such upgrades are released) on 3.5" diskettes;

(2) pre-configure the Software for the correct serial port, modem type and modem speed based upon the Distributor's specifications;

(3) assist the Distributor in testing the Software on the [Products];
and

(4) provide the Distributor with descriptions, art work and text and other material relating to the Service and the Software which may be copied by the Distributor for use in the Distributor's promotional, marketing and descriptive material.

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The Software provided to the Distributor will be identifiable with one or more serial numbers unique to the Distributor. Notwithstanding anything to the contrary contained in this Agreement, the Distributor will be responsible for any and all costs it incurs in connection with Preloading and/or Bundling the Software with its Products.

3.2 SOFTWARE SUPPORT

During the Distribution Term and for a period of six (6) months after 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 Software (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 Software;

(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.

3.3 RECORDS

During the Distribution Term, 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.

4. DUTIES OF THE DISTRIBUTOR

4.1 DISTRIBUTION REQUIREMENT

During the Initial Term of this Agreement, the Distributor shall distribute by Preloading and/or Bundling an aggregate of 20,000 copies (or such other amount as the parties may mutually agree upon) of the Software with its Products, and during any Renewal Period, as many copies of the Software as the Distributor deems appropriate.

4.2 PROMOTION

During the Distribution Term, the Distributor will promote the Software and 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.

5. PAYMENT

5.1 DISTRIBUTION FEE

During the Distribution Term, PC411 will pay to the Distributor a distribution fee equal to 10% (the "Distribution Fee") of the \$29.95 registration fee (or such other registration fee which may be applicable during the Distribution Term) (the "Registration Fee") paid by each Purchaser that is deemed to be a Registered Customer. A Purchaser is deemed to be a Registered Customer if it (i) has registered with the Service, (ii) has paid the Registration Fee and (iii) has remained registered with the Service for 90 days without cancellation.

5.2 PAYMENT PERIOD

PC411 will commence the payment of the Distribution Fees at such time as there are 1,000 Registered Customers. PC411 will pay the Distribution 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:

6. 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.

7. LIMITATION ON LIABILITY

PC411 warrants the media on which the Products 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 Software or the Products, 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 Software, loss of data, the cost of recovering such Software or data, the cost of any substitute program, or for other similar costs.

8. WARRANTIES

PC411 represents and warrants to the Distributor that:

(a) PC411 is the owner of the Software, or has all sufficient rights to grant the license granted in this Agreement, and that the Software 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 Software comply with all United States laws, statutes, ordinances, administrative orders, rule or regulations that apply to the Product; and

(d) the Software does not contain any encrypted code which is prohibited by U.S. law for distribution outside the U.S.

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9. 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 Software 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 8 above.

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 Software and the Service 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 deemed to have been duly given or made as of the date of receipt and shall be delivered or mailed by registered or certified mail (postage

prepaid, return receipt requested), sent by overnight courier or sent by telecopy, to the parties at the following

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addresses or telecopy numbers (or at such other address or telecopy number for a party as shall be specified by like notice).

Address of the parties:

PC411, Inc.

Silicom Multimedia Systems, Inc.

9800 S. La Cienega Blvd., Suite 411
Inglewood, CA 90301-4440
Attention: Dean R. Eaker
Telecopy No. _____

3335 Kifer Road
Santa Clara, CA 95051
Attention:

IN WITNESS THEREOF, the parties hereto agree to the foregoing as of the date first written above.

PC411, INC.

Silicom Multimedia Systems, Inc.

By: _____

By: _____

Name: Dean R. Eaker
Title: President

Name: _____

Title: _____

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EXHIBIT 10.4

DATA LICENSE AGREEMENT

This Data License Agreement ("Agreement") is dated as of the 1st day of September, 1997 ("Effective Date") by and between Acxiom Corporation ("Acxiom"), a Delaware corporation, 301 Industrial Boulevard, Conway, Arkansas 72033-2000 and PC411, Inc. ("Licensee"), a Delaware corporation having its principle place of business at 9800 La Cienega Blvd., Suite 411, Inglewood, CA 90301-4440.

WHEREAS, Acxiom procures, compiles and maintains a proprietary computerized database composed, INTER alia, of names, addresses and telephone numbers derived from white page telephone directories and other sources of information more particularly described in Exhibit A attached hereto and made a part hereof ("Data"); and

WHEREAS, Licensee desires to license the Data upon the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises set forth above and the mutual promises, agreements and conditions stated herein, the parties agree as follows:

1. LICENSE. Acxiom hereby grants and Licensee hereby accepts a non-transferable, non-exclusive license to use the Data in accordance with the terms and conditions hereof.

2. TERM. The initial term ("Initial Term") of the Agreement shall be three (3) years and shall commence on the Effective Date.

3. RENEWAL/TERMINATION. (a) The Agreement shall be automatically renewed at the end of the Initial Term for subsequent terms (the Initial Term and any subsequent terms are collectively referred to herein as the "Term") of one (1) year each and shall continue in effect thereafter until either party shall give the other ninety (90) days prior written notice of termination. Notwithstanding the foregoing, either party may terminate the Agreement immediately in the event the other party is in default hereunder and fails to cure such default within forty-five (45) days of written notice from the other party specifying the nature of such default.

(b) Upon termination of this Agreement, the following shall occur:

- (i) Acxiom shall cease to provide the Data to Licensee;
- (ii) Licensee shall pay Acxiom for all sums, if any, due hereunder within thirty (30) days of the effective date of termination; and
- (iii) Unless otherwise provided herein, Licensee shall promptly return to Acxiom all tapes, copies, partial copies and any other documentation, materials, or other information evidencing the Data, together with a written certification that all of the Data has been returned or, in the alternative, destroyed.

(c) In the event that legislation, governmental regulations or judicial rulings require that Acxiom cease providing the Data, Acxiom may terminate this Agreement upon the effective date of such legislation, regulations or rulings.

4. DELIVERY OF THE DATA. Acxiom shall deliver the Data to Licensee on the type of media, in the format, on the delivery date and containing those data elements specified in Exhibit A. In addition, Acxiom shall deliver to Licensee periodic updates ("Updates") to the Data in accordance with the schedule set forth on Exhibit A.

5. RESTRICTIONS UPON USE OF DATA. Licensee hereby agrees that it will hold and use the Data strictly in accordance with the following conditions, unless otherwise agreed in writing:

(a) Except as otherwise provided in Exhibit A, the Data shall be received, held and possessed by Licensee only at the address set forth above, and at no other location.

(b) Licensee shall not use the Data as part of any CD-ROM product or resell the Data or technology in any way except as provided in this Agreement.

(c) The Data is licensed only to Licensee, and neither Licensee nor its customers may distribute the Data, or any subset thereof, other than as provided in Exhibit A.

(d) Licensee will not knowingly allow its customers to use the Data as part of any interactive on-line, CD-ROM, or other derivative product. Licensee will establish reasonable precautions to prevent such unauthorized use; provided, however, Licensee shall not be in breach of this Agreement if it promptly notifies Acxiom in writing any unauthorized use of which it becomes aware and reasonably cooperates with Acxiom to prevent any further unauthorized use.

6. PERMITTED USES OF DATA. The Data shall only be used by Licensee in the ways set forth in Exhibit A, unless otherwise agreed in writing.

7. LICENSE FEES. Licensee agrees to pay license fees ("License Fees") to Acxiom for the use of the Data in accordance with the terms set forth in Exhibit A.

8. RIGHT TO AUDIT. Licensee agrees that at all times it shall maintain current, accurate and complete books and records relating to its usage of the Data and any payments due Acxiom derived therefrom. Licensee agrees that Acxiom, or any designee of Acxiom, shall have the right at any time following the Effective Date of this Agreement, but no more than once per six-month period, to examine, inspect, audit, review and copy or make extracts from all such books, records and any source documents used in the preparation thereof during normal business hours upon written notice to Licensee at least ten (10) business days prior to the commencement of any such examination, inspection, review or audit. Such audit shall be strictly limited to those books and records which specifically relate to information pertinent to the use of the Data.

9. TITLE TO DATA. The parties expressly acknowledge and agree that title to the Data shall at all times remain exclusively in Acxiom.

10. CONFIDENTIALITY. The parties agree that the terms and conditions of this Agreement, including all Exhibits hereto, and any policies, business practices, plans and methods not in the public domain which may be known or disclosed by either party to the other as a result of this Agreement will be held in confidence and not disclosed to any third party for any reason.

11. INJUNCTIVE RELIEF. Licensee hereby acknowledges that the Data has been developed and created at great time and expense and that Acxiom has a proprietary interest therein. Licensee further acknowledges that Acxiom may suffer great harm if Licensee misappropriates the Data. Accordingly,

Licensee agrees to take reasonable precautions to prevent the mis-use of the Data. Licensee's obligations under this Section shall survive any termination of this Agreement. Acxiom may seek injunctive or other equitable relief against the breach or threatened breach of this Section in addition to any other legal remedies which may be available.

12. WARRANTIES. (a) Acxiom warrants that the Data will be as current, accurate and complete as possible using the source data, compilation and data processing methods normally employed by Acxiom in the ordinary course of its business; provided, however, there is no warranty that the Data is error-free. Acxiom further warrants that the compilation of and transmittal of the Data to

Licensee is not in violation of any law, statute or other governmental regulation; that the Data does not infringe upon any copyright, trade secret or other proprietary right of any third party; and that Acxiom has full power and authority to enter into this Agreement.

(b) Licensee represents and warrants to Acxiom that it has full power and authority to enter into this Agreement; that the execution, delivery and performance by Licensee of this Agreement will not violate any law, statute or other governmental regulation; and that Licensee's use of the Data will comply with all privacy, data protection, telemarketing and any other laws, statutes and governmental regulations applicable to such use of the Data.

(c) EXCEPT AS STATED IN SUBSECTIONS (a) AND (b) ABOVE, THERE ARE NO OTHER WARRANTIES, EXPRESS OR IMPLIED HEREUNDER, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

13. REMEDIES. Acxiom's sole obligation and Licensee's sole remedy under the limited warranty set forth in Section 12(a) above is strictly and exclusively limited to the prompt correction of any errors in the Data which are made known to Acxiom by written notice from Licensee describing such errors in sufficient detail; provided, however, Licensee acknowledges that some errors in the Data may be the result of errors contained in the source data, in which case Acxiom shall not be obligated to correct such errors. Notwithstanding the foregoing, Acxiom reserves the right to satisfy its warranty obligations in full by refunding a pro rata portion of the fee paid by Licensee for the particular data which is in error.

14. THIRD-PARTY INDEMNITY. (a) Licensee agrees to indemnify and hold Acxiom harmless from and against all direct costs, losses, damages, liabilities and expenses, including reasonable attorneys' fees, attributable to any claim made by a third party arising out of Licensee's use of the Data and/or its performance of its obligations under this Agreement, provided that (i) Acxiom gives Licensee prompt written notice of any such claim of which Acxiom has knowledge; and (ii) Licensee is given full control over the defense of such claim and receives the full cooperation of Acxiom in the defense thereof.

(b) Acxiom agrees to indemnify and hold Licensee harmless Acxiom shall indemnify and hold Licensee harmless from and against all direct costs, losses, damages, liabilities and expenses, including reasonable attorneys' fees, attributable to any claim made by a third party that the use of the Data infringes upon any proprietary right of such third party, provided that (1) Licensee gives Acxiom prompt written notice of any such claim of which Licensee has knowledge; and (2) Acxiom is given full control over the defense of such claim and receives the full cooperation of Licensee in the defense thereof. Acxiom shall have no obligation under this Section to indemnify or defend Licensee against a lawsuit or claim of infringement to the extent any such lawsuit or claim results from (1) other material,

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including information, data or software prepared by Licensee, which is combined with or incorporated into the Data; or (2) any substantial changes or alterations to the Data made by Licensee.

15. LIMITATION OF LIABILITY. ACCEPT AS OTHERWISE SET FORTH HEREIN, NEITHER LICENSEE NOR ACXIOM SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOST BUSINESS AND LOST PROFITS, WHETHER BASED IN CONTRACT, TORT OR ANY OTHER THEORY. Any cause of action arising from or in connection with this Agreement shall be asserted within one (1) year of the date upon which such cause of action accrued, or the date upon which the complaining party should have reasonably discovered the existence of such cause of action, whichever is later.

16. PUBLICITY. All media releases, public announcements and any form of advertising or sales promotion by Licensee or its agents relating to this Agreement or the use of the Data shall be subject to prior written approval of Acxiom, which consent shall not be unreasonably withheld or delayed.

17. APPLICABLE LAW. The Agreement shall be governed and construed in

accordance with the laws of the State of Arkansas, and shall benefit and be binding upon the parties hereto and their respective successors and assigns.

18. ENTIRE AGREEMENT. The Agreement, together with the Exhibit(s) attached hereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all written or oral prior agreements and understandings between the parties, including that certain License Agreement dated August 31, 1996 between PC411, Inc. and Pro CD, Inc., Acxiom's wholly-owned subsidiary ("Prior Agreement").

19. MODIFICATION/SEVERANCE/WAIVER. The Agreement, and any of the Exhibit(s) attached hereto, may only be amended by a separate writing signed by both parties. If any one or more of the provisions of the Agreement shall for any reason be held to be invalid, illegal or unenforceable, the same shall not affect any of the other portions of the Agreement. Failure or delay by either party in exercising any right hereunder shall not operate as a waiver of such right.

20. ASSIGNMENT. Licensee may not assign its rights and obligations hereunder without the prior written consent of Acxiom.

21. FORCE MAJEURE. Neither party shall be liable for any losses arising out of the delay or interruption of its performance of obligations under the Agreement due to any act of God, act of governmental authority, act of public enemy, war, riot, flood, civil commotion, insurrection, severe weather conditions, or any other cause beyond the reasonable control of the party delayed.

22. NOTICES. Any notice or other communication required hereunder shall be made in writing and addressed to the parties at their addresses set forth above.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date set forth above.

ACXIOM CORPORATION

PC411, INC.

BY: _____
(SIGNATURE)

BY: _____
(SIGNATURE)

(PRINT OR TYPE NAME)

(PRINT OR TYPE NAME)

(TITLE)

(TITLE)

A. DESCRIPTION OF DATA/DATA ELEMENTS:
SelectBase - The complete set of US and Canadian Business and Residential listings maintained by Acxiom. Approximately 16,000,000 US Business and 2,000,000 Canadian Business Listings; Data includes Business name, address, city, state, province, zip code, postal code, phone number, SIC code, latitude and longitude, date of last update and unique record identifier. Approximately 85,000,000 US Residential , 11,000,000 Canadian Residential listings; Data includes; address, city, state, province, zip code, postal code, phone number, SIC code, latitude and longitude, date of last update and unique record identifier. Also includes the ATT 1-800 number listings.

B. TYPE OF MEDIA, FORMAT AND DATE OF DELIVERY:

MEDIA: Currently, the media on which the Data will be provided will be Acxiom's SelectPhone for Networks compact discs and/or magnetic tape. It is both parties' understanding that Licensee desires to receive Data electronically as soon as Acxiom can provide this type of media delivery service.

FORMAT: Not applicable at this time. The format used in delivery of the Data will be addressed as appropriate and when applicable.

DELIVERY DATE: Within five (5) business days of execution of the Agreement.

C. UPDATE DELIVERY SCHEDULE:

Monthly

D. PERMITTED USES OF DATA:

The Data will be provided to create a database of directory information and distribute such information to end users over telephone lines or the Internet. The Licensee is allowed to host the Data on mirror sites to allow for the support of seven day, twenty-four hour coverage. Licensee shall not use the Data for any CD-ROM product or any other product or service.

Any other uses of the Data not specifically permitted by this Agreement must be mutually agreed upon in writing by both parties.

E. LICENSE FEES:

For the first twelve months of the Initial Term, Licensee agrees to pay Acxiom twelve (12%) percent of revenues generated from the sale or display of Acxiom's Data as described in Section D above. The minimum amount to be paid by Licensee to Acxiom shall be \$75,000 due and payable upon execution of this Agreement. Acxiom's percentage of royalties due during the first

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twelve months of the Initial Term shall be credited against the amount prepaid by Licensee for such period.

Licensee agrees to pay to Acxiom Fifteen Thousand (\$15,000) Dollars as final payment of fees owed to Acxiom by Licensee pursuant to the Prior Agreement. Such payment is due and payable by Licensee no later than March, 15 1998.

For the second twelve months of the Initial Term, Licensee agrees to pay Acxiom twelve (12%) percent of revenues generated from the sale or display of Acxiom's Data as described in Section D above. The minimum amount to be paid by Licensee to Acxiom shall be \$125,000 due and payable upon the second anniversary of the Effective Date of this Agreement. Acxiom's percentage of royalties due during the second

twelve months of the Initial Term shall be credited against the amount prepaid by Licensee for such period. The parties agree that the minimum amount and terms of payment for the second twelve months of the Initial Term described above will be reviewed during the ninth month of the Initial Term of the Agreement and any subsequent changes to such minimum amounts and terms of payment will be mutually agreed upon in writing by the parties.

For the third twelve months of the Initial Term of the Agreement, Licensee agrees to pay Acxiom twelve (12%) percent of revenues generated from the sale or display of Acxiom's Data as described in Section D above. The minimum amount to be paid by Licensee to Acxiom shall be \$175,000 due and payable upon the third anniversary of the Effective Date of this Agreement. Acxiom's percentage of royalties due during the third twelve months of the Initial Term shall be credited against the amount prepaid by Licensee for such period. The parties agree that the minimum amount and terms of payment for the third twelve months of the Initial Term described above will be reviewed during the ninth month of the Initial Term of the Agreement and any subsequent changes to such minimum amounts and terms of payment will be mutually agreed upon in writing by the parties.

F. ADDITIONAL TERMS AND CONDITIONS:

When possible, Licensee will display an Acxiom Logo as demonstrated at WWW.DATABYACXIOM.COM/TEMPLATE.HTM with hypertext reference to <http://www.DATABYACXIOM.com> page or another site as determined by Acxiom on the initial search and results page where the data is displayed. When not possible the Customer will display a hypertext link to this site on HTML pages that display the Data.

Licensee will provide Acxiom a quarterly report detailing the business revenues. The format of the report shall be mutually agreed upon by both parties prior to submission of such report.

Licensee agrees to include the following statement regarding copyright and unauthorized use wherever Data provided by Acxiom is located. Said statement shall be prominently displayed on any and all Web sites: "This information is proprietary to Acxiom Corporation and is protected under U.S. copyright law and international treaty provisions. This information is licensed for your personal or professional use and may not be resold or provided to others. You may not distribute, sell, rent, sublicense, or lease such information, in whole or in part to any third party; and you will not make such Acxiom information available in whole or in part to any other user in any networked or time-sharing environment, or transfer the information in whole or in part to any computer other than the PC used to access this information."

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