

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-SB

GENERAL FORM FOR REGISTRATION OF SECURITIES OF SMALL
BUSINESS ISSUERS Under Section 12(b) or (g) of the
Securities Exchange Act of 1934

EDUVERSE.COM

(Name of Small Business Issuer in its charter)

Nevada

88-0277072

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

1135 Terminal Way
Suite 209
Reno, Nevada

89502-2168

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number: (775) 332-3325

Securities to be registered under Section 12(b) of the Act:

None

Not Applicable

Title of each class to be so registered

Name of each exchange on which
each class is to be registered

Securities to be registered under Section 12(g) of the Act:

Common Stock, \$0.001 par value

(Title of Class)

Not Applicable

(Title of Class)

TABLE OF CONTENTS

	Page
NOTE REGARDING FORWARD LOOKING STATEMENTS.....	2
ITEM 1 DESCRIPTION OF BUSINESS.....	2
ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	12
ITEM 3 DESCRIPTION OF PROPERTY.....	25
ITEM 4 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.....	25
ITEM 5 DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS.....	26
ITEM 6 EXECUTIVE COMPENSATION.....	28
ITEM 7 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.....	30
ITEM 8 DESCRIPTION OF SECURITIES.....	30
PART II	32
ITEM 1 MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.....	32
ITEM 2 LEGAL PROCEEDINGS.....	32

ITEM 3 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS.....32
ITEM 4 RECENT SALES OF UNREGISTERED SECURITIES.....33
ITEM 5 INDEMNIFICATION OF DIRECTORS AND OFFICERS.....35
PART III 59
ITEM 1 INDEX TO EXHIBITS.....59

ITEM 1 DESCRIPTION OF BUSINESS

Note Regarding Forward Looking Statements

Except for statements of historical fact, certain information contained herein constitutes "forward-looking statements," including without limitation statements containing the words "believes," "anticipates," "intends," "expects" and words of similar import, as well as all projections of future results. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the Company to be materially different from any future results or achievements of the Company expressed or implied by such forward-looking statements. Such factors include, but are not limited to the following: the Company's limited operating history, competition, management of growth and integration, risks of technological change, the Company's dependence on key personnel, marketing relationships and third-party suppliers, the Company's ability to protect its intellectual property rights and the other risks and uncertainties described under "Description of Business - Risk Factors" in this Form 10-SB. Certain of the forward looking statements contained in this registration statement are identified with cross references to this section and/or to specific risks identified under "Description of Business - Risk Factors."

Overview

The Company develops and markets software programs under several product names to assist non-English speaking students in learning spoken English. In addition to traditional "boxed" software available in retail stores, the Company has been delivering its software products via the Internet since the launch of its Internet-enabled product line in December 1998.

The Company was incorporated in Nevada in 1991 under the name Ward's Futura Automotive, Ltd. The Company subsequently changed its name to Perfect Future, Ltd. and amended its articles of incorporation to authorize 5,000,000 shares of preferred stock, \$0.001 par value. On December 22, 1997, the Company effected a 2.5:1 split of its issued and outstanding common stock. On June 16, 1998 the Company changed its name to EDUVERSE Accelerated Learning Systems, Inc. and on May 19, 1999, the Company changed its name to eduverse.com. The Company did not engage in any business operations from its inception until May 1998, when it acquired ESL PRO Systems, Inc., a Nevada corporation ("ESL PRO") and M&M Information and Marketing Services, Inc., a Nevada corporation ("M&M").

On May 28, 1998, the Company purchased all the issued and outstanding capital stock of ESL PRO in exchange for 2,000,000 shares of the Company's common stock. ESL PRO presently owns a software license for some of the Company's current English teaching systems incorporated in the Company's ENGLISH PRO Version 6.2 software. On May 29, 1998, the Company purchased all the issued and outstanding capital stock of M&M in exchange for 7,000,000 shares of the Company's common stock. M&M presently owns to rights to certain technology designs and methods for designing and delivering advanced learning systems via the Internet. As a result of these acquisitions, the former shareholders of ESL and M&M, as a group, owned more than 50% of the issued and outstanding voting shares of the Company. Consequently, this business combination has been accounted for as a reverse acquisition whereby ESL and M&M are deemed to have been combined, on a continuity of interests basis, since their inception on May 5, 1998 and to have acquired the Company. Accordingly, the financial statements of the Company reflect the historical accounts of ESL and M&M since their inception at their historic net book values, and the accounts of the Company, comprising nominal net assets, at their estimated fair value at the time of the transaction

On July 20, 1998, the Company formed EDUVERSE Accelerated Learning Systems (Canada), Inc., a British Columbia, Canada corporation ("EDUVERSE Canada"). EDUVERSE Canada operates the Company's development and marketing operations.

The Company's common stock currently trades on the NASD Over-The-Counter-Market Bulletin Board ("OTCBB") under the symbol "EDUV." The Company's registered office is located at Suite 209, 1135 Terminal Way, Reno, Nevada 89502-2168 and its phone number at that address is (775) 332-3325. EDUVERSE Canada's principal executive offices are located at 2nd Floor, 1235 West Pender Street, Vancouver, British Columbia V6E 2V1 and its phone number at that address is (604) 623-4864.

Industry Background

The market for educational software is relatively small, but growing. It is often described in two market segments: consumers and educational institutions. The Company competes in both of these segments. The factors driving the growth in the market include increasing penetration of personal computers in homes, expanding distribution channels for educational software, growth in consumer and educational publications featuring educational software and increased awareness of the potential of multimedia as an effective educational tool.

The distribution channels for consumer educational software products have expanded significantly in recent years. Traditionally these products were sold through specialty software stores. Today, these products are increasingly sold through these and other distribution channels, including the Internet, computer superstores, consumer electronic stores, mass merchants, office supply, discount warehouse stores and bookstores. While the number of distribution outlets has increased, competition for retail shelf space and customer awareness has also increased due to growth in the numbers of products and publishers competing for that shelf space and awareness. The Company believes that, with proliferation of software titles and the corresponding decrease in the availability of retail shelf space, it becomes increasingly important to find alternative methods of offering educational software products to the public such as via the Internet or in educational settings.

The market for educational software in educational institutions is also expanding and changing rapidly. School sales of educational software are being driven by growth in penetration of computers into schools, upgrades of the installed base to new multimedia computers, increases in the number of teachers trained to incorporate technology-based products into their curriculum and changes in governmental funding authorizations to encourage the use of technology-based instructional materials. In addition, educational institutions are increasingly requiring students to use particular software applications as part of their coursework requirements. The Company believes that distributors and vendors marketing to the educational software market in schools choose products on the basis of their educational content and the reputation of the publisher and its products among teachers and other educational professionals.

The educational software industry has been characterized over the last few years by a high degree of consolidation, which favors companies with greater resources than the Company. This consolidation has provided certain of the Company's competitors with increased financial resources, marketing power and distribution capabilities. Larger companies that offer a wide range of products also may find it easier to gain access to shelf space than smaller companies, such as the Company, and they are more able to proliferate product offerings, including bundles and suites for a single low price. This strategy is used to dominate shelf space and may tend to reduce shelf lives and prices for individual products. Additional consolidation may tend to result in increased price competition for educational software products. In addition, in some cases, these competitors have invested heavily in marketing and delivering their products over the Internet.

eduserve.com

The Company develops and markets software programs under several product names to assist non-English speaking students in learning spoken English. In addition to traditional "boxed" software available in retail stores, the Company has been delivering its software products via the Internet since the launch of its Internet-enabled product line in December 1998.

The Company's core software products feature phonetic-based English language tutorial systems, which use multimedia presentations to help non-English speaking students learn English language pronunciation. The Company produces a shrink-wrapped version of its software called ENGLISH PRO, which is sold in retail stores at a suggested retail price of \$29.99, an Internet-enabled version of its software called ENGLISH PRO Web Edition, which is available for free from the Company's web portal at <http://www.freeENGLISH.com>, and a network-enabled version of its software called ENGLISH PRO Network Edition, which is designed to be installed on private computer networks. Revenues are currently generated only from the sale of CD-ROM software packages. For the year ended December 31, 1998, 36% of the Company's software sales were derived from one customer. The Company anticipates generating revenues from its ENGLISH PRO Web Edition and ENGLISH PRO Network Edition products by charging fees for advertising that is placed within the ENGLISH PRO Web Edition and ENGLISH PRO Network Edition software. To date, the Company has not generated any revenues from the ENGLISH PRO Web

Edition and ENGLISH PRO Network Edition products. All of the Company's products operate only on Windows computers.

The Company distributes ENGLISH PRO in retail computer stores and bookstores. The Company distributes ENGLISH PRO Web Edition through its freeENGLISH.com Internet Web site and through Internet Service Providers ("ISPs") and Web portals. The Company plans to distribute its ENGLISH PRO Network Edition through corporate intranets and computer networks operated by educational institutions. Currently, the Company has an agreement with the Ministry of University Affairs in Thailand to offer its software products to university students in Thailand via the University Network in Thailand (UniNet), a proprietary computer network operated by the Ministry. The Company estimates that upon implementation of ENGLISH PRO Network Edition on the UniNet, approximately one million students in Thailand will have access to the Company's English language teaching software.

The Company intends to further promote the sale and use of its educational software products by:

- o continuing to distribute its software products through traditional retail channels;
- o making its educational software products available free to Internet users; and
- o entering into agreements with foreign educational institutions and other operators of private computer environments to distribute its products on their proprietary networks.

Distribution Through Traditional Retail Channels. The Company currently distributes its shrink-wrapped CD-ROM product, ENGLISH PRO, through traditional retail outlets, such as retail computer stores and bookstores, through the efforts of its in-house sales and marketing department and traditional distributors. The Company's ENGLISH PRO product line is marketed in the United States and Canada on a non-exclusive basis by Tri Synergy, Inc. and is also distributed in other countries by a number of non-exclusive distributors. The Company currently distributes its CD-ROM version of ENGLISH PRO through 500 retail outlets in North America and anticipates that over 1,000 retail outlets in North America will carry its products before the end of 1999.

Free Distribution over the Internet. Since December 1998, the Company has distributed its Internet-enabled software ENGLISH PRO Web Edition free of charge from its Web portal at <http://www.freeENGLISH.com>. The Company plans to generate revenues on this product by charging fees for advertising that is placed within the ENGLISH PRO Web Edition software. In order to drive traffic to its freeENGLISH.com Internet Web site, the Company has established a freeENGLISH affiliate program pursuant to which ISPs, Web portals and other online sites have agreed to place a link to the Company's freeENGLISH.com Internet Web site on their Web sites in exchange for receiving a portion of the advertising revenues generated. Typically, an affiliate program participant is entitled to receive 10% - 15% of all revenue generated in this manner. In addition, under the program agreements, the affiliate program participants are entitled to share revenues generated from the sale of goods and services to the affiliate program participants' users by third-party Web sites with which the Company has signed an affiliate program agreement.

As of August 24, 1999, the Company has affiliate program agreements with eight ISPs and five Web portals:

Internet Service Providers / Location

Internet KCS -- Thailand
Freeinet -- United States
X-Steam -- United Kingdom
eHOLA -- Columbia, United States, Mexico, Argentina, Brazil, Chile,
Venezuela, Peru, Ecuador, Guatemala, El Salvador, Costa Rica
and Panama.
Xin Net Corp. -- China
MDI Corp. -- Canada, Hong Kong, China.
Infinet Group -- Canada
MIMOS BERHAD -- Malaysia

Web Portals / Location

African News Online -- United States
CompuCollege School of Business -- Canada
CIBT -- China
2dobiz.com -- Canada, China, United States, Hong Kong, Philippines,
Mexico, Japan, Switzerland.
Utusan Multimedia Sdn. Bhd. -- Malaysia

Where a freeENGLISH affiliate program participant targets a foreign market in which the Company has not previously distributed its products, the Company generally works with the affiliate program participant to translate the required freeENGLISH.com Web pages and ENGLISH PRO Web Edition software program information. Currently, the Company's freeENGLISH.com Web Site and software is available in English, Chinese (simplified Chinese), Spanish and Portuguese. In addition, to date, each of the ISPs with whom the Company has signed an affiliate program agreement, has agreed to distribute ENGLISH PRO Web Edition on any CD-ROM that it distributes to install the necessary software to browse the Internet and connect to its services.

Foreign Educational Institutions and Private Online Networks. In addition to retail software sales and distribution over the Internet, the Company plans to provide its ENGLISH PRO Network Edition software to educational and other institutions that operate private computer networks and collect advertising fees for advertisements placed within the software. ENGLISH PRO Network Edition is a multi-user version of ENGLISH PRO Web Edition. The Company's wholly-owned subsidiary, EDUVERSE Canada, recently signed an agreement with the Ministry of University Affairs in Thailand to provide ENGLISH PRO Network Edition to 24 Universities and 37 Information Technology campuses (a combined total of 70,000 workstations) on the University Network (UniNet) in Thailand. Under terms of the agreement, the Company has agreed to provide installation, support and upgrades necessary to provide ENGLISH PRO Network Edition to approximately one million university students using the UniNet. Installation is comprised of the Company placing approximately six ENGLISH PRO Network Edition servers (running Windows NT, Microsoft SQL Server, Microsoft Internet Server and ENGLISH PRO Network Edition server software) on the UniNet. These servers control the data flow between the workstations and the Company's central server located in Canada. The estimated cost for hardware, software and travel for installation of the Company's servers on the UniNet is approximately \$35,000. In addition, the Company has agreed to provide support services comprised of a Web-based installation and management system which controls the installation of ENGLISH PRO Network Edition on the workstations and manages the connection to the ENGLISH PRO Network Edition servers. The Company expects there will be no significant additional costs incurred by the Company for providing this support as the web-based installation and management system is a key component of the ENGLISH PRO Network Edition software. Upgrades are provided immediately upon their release by the Company, via the ENGLISH PRO Network Edition servers and workstation software and the web-based installation and management system. Under the terms of the agreement, the Ministry will receive a 15% commission on gross revenues generated from advertising displayed on the Company's software that is accessed through its private computer network. The Company is currently installing the software and servers and expects to complete the installation of ENGLISH PRO Network Edition on the UniNet network before November 30, 1999. Additionally, EDUVERSE Canada has signed a Memorandum of Understanding to jointly develop and deploy additional educational programs for the students of Thailand.

The Company is currently meeting with other educational ministries in Malaysia, Taiwan, and China and with private corporations in Asia which require English language training. The Company's goal is to enter into similar agreements with one of these ministries and with one or more private corporations prior to December 31, 1999.

Products

The Company's current product line consists of seven software titles:

- o ENGLISH PRO Version 6.2 (single user)
- o ENGLISH PRO Version 6.2 (multi-user)
- o ENGLISH PRO Web Edition
- o ENGLISH PRO Network Edition
- o English as a Second/Foreign Language - Learn2.com, Inc.
- o ENGLISH PRO Version 7.0 (single user) (under development)
- o ENGLISH PRO Version 7.0 (multi-user) (under development)

ENGLISH PRO Version 6.2 (single user). ENGLISH PRO Version 6.2 (single user) teaches English using phonics and uses an advanced instructional method called Mental Mapping, a process which involves matching the sounds of the English language to keys on an onscreen phonetic keyboard, thereby reinforcing them in the student's mind. This version of ENGLISH PRO consists of over 2,000 commonly used words, a Picture Dictionary with over 1,700 definitions, an animated pronunciation simulator, 260 lessons and 130 hours of private instruction. The suggested retail price is \$29.99.

ENGLISH PRO Version 6.2 (multi-user). This multi-user version of ENGLISH PRO is designed for use in school, government and corporate computer environments that operate a local area network (LAN). This multi-user product has additional features required for academic, corporate and government use, including the ability to reprint workbooks, a teacher's manual and course curriculum outline. The multi-user product also comes with a student login and monitoring system known as the Student Progress Monitor (SPM). Through the SPM program, teachers and administrators can customize each student's course flow, access individual achievement levels and monitor a student's progress through the system. The suggested retail price of the multi-user version is \$199 per workstation.

ENGLISH PRO Web Edition. ENGLISH PRO Web Edition also teaches English using phonics, however it incorporates proprietary onscreen phonetic keyboard, new lesson content, dictionary definitions, studio recorded sounds, a visual pronunciation assistant and contains embedded banner advertising, for which the Company charges a fee to advertisers. ENGLISH PRO Web Edition uses the latest in development technologies and teaching methodologies and was designed in conjunction with Dr. E. Wyn Roberts, a professor of linguistics and a graduate of Cambridge University, who is the head of the Company's Educational Advisory Board. The product teaches English phonetically and in future releases is anticipated to include whole language instruction, including conversational English. ENGLISH PRO Web Edition is an Internet-enabled software program which can be installed free from the Internet and which allows users to download lesson materials from the Internet. In addition, ENGLISH PRO Web Edition contains a feature called "Check for Updates," which reduces support problems normally found in updating older versions of software by allowing users to download program updates on demand.

ENGLISH PRO Network Edition. This multi-user version of ENGLISH PRO Web Edition is designed for use in school, government and corporate computer environments that operate local or wide area networks (LAN or WAN) and contains embedded banner advertising, for which the Company charges a fee to advertisers. This multi-user product has additional features required for multi-user login from personal computer workstations on the network and includes special server software that resides on the Company's computers placed on the LAN or WAN. It takes advantage of emerging network technologies, allowing for a central location containing all course curriculum and student records. Enhanced reporting features for teachers, along with a course management system in ENGLISH PRO Network Edition, allows flexibility in its implementation and integration into existing curriculum. The Company is currently installing this version of ENGLISH PRO within the Thailand Ministry of University Affairs' private computer network.

English as a Second/Foreign Language. This Internet-deliverable English tutorial program was developed in partnership with Learn2.com, Inc. using Learn2.com's proprietary development tools. The course is available through Learn2.com's Learning University at www.learninguniversity.com and its resellers. Students subscribe to the course online and pay for it with their credit cards. The Company's English as a Second/Foreign Language program is sold at www.learninguniversity.com based on 3 pricing levels: \$19.95 per month of use, \$39.95 per six months of use and \$59.95 per twelve months of use. Every three months, the Company is entitled to receive 30% of the revenue

generated from the sale of its program by the Learn2.coms and its resellers. To date, the Company has not received any funds from Learn2.com and the Company does not expect that significant revenues will be generated from this program.

ENGLISH PRO Version 7.0 (single user). This product is ENGLISH PRO Web Edition without embedded advertising that can be used on a personal computer. The Company expects that this product will be released on CD-ROM by November 1, 1999 and will have a retail price of \$29.99.

ENGLISH PRO Version 7.0 (multi-user). This product is ENGLISH PRO Network Edition without embedded advertising and is designed for use in environments that operate on local or wide area networks. The Company expects that this product will be released on CD-ROM by the second quarter of 2000.

Markets

The Company has identified 30 countries that it believes have the largest market potential for its products. The major geographical regions these countries fall in to are: Asia Pacific, Latin America, North America, Western Europe and the Middle East. Within these geographic regions, the Company has identified the following market segments for its English language tutorial products.

Foreign Educational Institutions. The Company intends to offer its ENGLISH PRO Network Edition software free to educational institutions that allow advertisements to be displayed to their students. For educational institutions that do not allow advertisements, the Company plans to make ENGLISH PRO Network Edition available under the product name ENGLISH PRO Version 7.0 (multi-user) during the second quarter of 2000. The Company currently has an affiliate program agreement with the Ministry of University Affairs in Thailand to distribute its English language teaching software on its private computer network. The Company is presenting the opportunity to use ENGLISH PRO Network Edition on school networks to ministries of education in Malaysia, Taiwan and China. Sales agents acting on behalf of the Company are presenting this same opportunity to ministries in Hong Kong, India, Pakistan, Sri Lanka, South Korea and Colombia. At present, the Company does not have any advertising agreements for its installation in Thailand.

Internet Service Providers and Web Portals. In each country where the Company has active English education initiatives, it intends to pursue agreements with ISPs and Web portals to be affiliate program participants. In Thailand, for example, the Company has entered into a freeENGLISH affiliate program agreement with one of that country's largest ISPs, Internet Knowledge Service Center Co., Ltd. ("IKSC"), allowing IKSC to hyperlink from their Web site at www.ksc.net.th to www.freeENGLISH.com and to provide ENGLISH PRO Web Edition on CD-ROMs they provide to their subscribers. As of August 24, 1999, the Company currently has affiliate program agreements with eight ISPs and five Web portals and expects to sign additional affiliate program agreements before the end of 1999.

Personal Computer Manufacturers. The Company intends to negotiate agreements with personal computer manufacturers in Taiwan, Singapore and China for the pre-installation of ENGLISH PRO Web Edition software on their computers. The Company believes this presents a unique opportunity for personal computer manufacturers in Asia to deliver a quality educational product which addresses a significant need of a large portion of their customers. In exchange for the Company's software, the Company would share with the PC computer manufacturer revenue generated from advertising imbedded within the software. The Company anticipates signing an agreement with one personal computer manufacturer before the end of 1999. In an instance where the personal computer manufacturer does not want to provide ENGLISH PRO Web Edition they have an opportunity to provide ENGLISH PRO Version 7.0 (single user) and pay the Company a nominal per-copy fee in the range of \$0.25 to \$1.00. To date, no such agreements have been entered into by the Company.

Retail Marketplace. The Company has addressed the retail marketplace through agreements with non-exclusive distributors in North America, Australia, Hong Kong and Macao. At present the Company does not advertise its products in any trade publications or journals. The Company intends to continue to deliver the ENGLISH PRO CD-ROM versions through these channels. Additionally, in markets where Internet access is cost-prohibitive or weak, the Company is seeking exclusive and non-exclusive distributors for its products.

Product Development

The Company develops all of its products and Internet Web sites internally. The Company's development team includes software programmers, Web site developers, English course material developers and graphic artists.

Currently the Company is developing additional features and course materials for ENGLISH PRO Web Edition, including whole language instruction; interactive lesson breaks that provide information about an advertiser's products and services; interactive chat services via the Internet and via the local or wide area network; message boards via the Internet and via the local or wide area network; user-generated design of the user interface; and support for additional advertising models. The course materials include lessons specific to "going shopping," "going to a restaurant," "meeting a friend," "having a job interview" and other practical situations. Also in development are tools providing better controls for targeting advertisements and reporting statistical data to advertisers.

The Company intends to deliver the first release of ENGLISH PRO Version 7.0 (single user) on CD-ROM as early as November 1, 1999. ENGLISH PRO Version 7.0 (single user) is the CD-ROM version of ENGLISH PRO Web Edition and contains all the features of ENGLISH PRO Web Edition, except advertising.

Competition

The educational software industry has been characterized over the last few years by a high degree of consolidation, which favors companies with greater resources than the Company. This consolidation has provided certain of the Company's competitors with increased financial resources, marketing power and distribution capabilities. Larger companies that offer a wide range of products also may find it easier to gain access to shelf space than smaller companies, such as the Company, and they are more able to proliferate product offerings, including bundles and suites for a single low price. This strategy is used to dominate shelf space and may tend to reduce shelf lives and prices for individual products. Additional consolidation may tend to result in increased price competition for educational software products. In addition, in some cases, these competitors have invested heavily in marketing and delivering their products over the Internet.

The English language instructional software market in which the Company operates is also very competitive. Many competitors have substantially greater, financial, technical, marketing and distribution resources than the Company. The Company primarily competes in three major product areas:

- o educational retail software;
- o academic courseware developed for the school, corporate and government markets; and
- o education courses developed for the Internet.

In all its markets, the Company competes against a large number of companies of varying sizes and resources. In the educational retail software market, the Company's primary competitors are The Learning Company and Broderbund divisions of Mattel, Inc., The Walt Disney Co. and SofSource, Inc. In the academic courseware market, the Company's primary competitors are Berlitz International, Inc., DynEd International, Inc. and LinguaTech International. In the Internet education market, the Company's primary competitors are Scholastic, Inc., Simon & Schuster, a division of Viacom, Inc. and The Lightspan Partnership, Inc. There is an increasing number of competitive products offered by a growing number of companies. Increased competition in any product area may result in a loss of retail shelf space, reduction in sales or additional price competition, any of which could have a material adverse effect on the Company's operating results. In addition, existing competitors may continue to broaden their product lines and potential competitors, including large computer or software manufacturers, entertainment companies and educational publishers, may enter or increase their focus on the English language education market, resulting in greater competition for the Company.

Other Web Sites and software applications sell advertising. The Company faces competition from these Web Sites and software developers for advertising contracts as well as from a variety of other traditional media sources, such as television, radio and print media. The Company does not currently have agreements with any advertisers to advertise in its Web Site or within its software products. If the Company fails to attract a sufficient amount of advertising for its products or Web Site or software products, its business could be adversely affected.

Sales and Marketing

General. The Company anticipates that preliminary marketing of the CD-ROM version of ENGLISH PRO will consist of securing exclusive and non-exclusive distributors on a country-by-country basis. The Company plans to try to identify a number of exclusive Master Distributors globally who are capable of supporting a complete distribution channel in several countries.

When it is deemed advantageous, the Company plans to enter into co-development agreements with third parties. A co-development opportunity often arises when a third party would like to design a custom version of the Company's products for a particular market or market segment. The Company anticipates that most of these arrangements would center on additional course curriculum in a particular field, and that the Company and the co-developer would share in the revenue generated by a co-development effort.

Internet Marketing. The Company participates in Web-based discussion groups centered on education, computers in education, distance education and related topics through which it attempts to encourage and influence the purchase of its products. The Company also markets ENGLISH PRO Web Edition and www.freeENGLISH.com through relationships with ISPs and Web portals. These affiliate program participants provide the marketing awareness to their end users, which then create traffic to the www.freeENGLISH.com Web site. To generate new affiliate program participants, the Company identifies ISPs and Web portals in regions of the world that are of interest to the Company or are interested in developing education-oriented Web portals. The Company actively solicits these prospective ISPs and Web portals through initial email campaigns followed by telemarketing efforts to bring its products to the attention of these prospective affiliate program participants. To date, the Company has not advertised any of its products on the Internet, however, it may do so in the future. The Company also intends to continue developing relationships with ISPs and Web portals to promote ENGLISH PRO Web Edition and www.freeENGLISH.com on their Web sites.

Direct Sales. The Company currently has 4 people in its sales and marketing department, all of whom are salaried sales people. The Company's direct sales activities include: weekly facsimile distributions to potential distributors from purchased mailing lists, follow up phone calls, direct mail campaigns to distributors and Fortune 1000 companies that require English language training for their staff and contacts with embassies of targeted countries to generate qualified leads of potential distributors interested in distributing the Company's product line. The Company also attends industry trade shows where there is a large concentration of companies interested in educational products and uses print media in target countries to increase product awareness. The Company anticipates that, in the near term, two additional sales and marketing personnel will be hired to concentrate on Internet product awareness and sales globally.

Customer and Technical Support

The Company provides a variety of customer and technical support services to purchasers of its software products and users of its online applications. End users are able to consult with support personnel regarding software use, hardware problems and peripheral needs via telephone, facsimile and a variety of voice mail and online service options. In addition, the Company provides its educational institution clients access to trained educational professionals and a variety of preview, sample and demonstration options. The Company's English language instruction products are sold with a variety of lesson plans, recordkeeping tools and other materials to support English language teachers.

Intellectual Property Rights

The Company's success is dependent on its ability to protect its intellectual property rights. The Company relies principally on a combination of patent, copyright and trade secret laws, non-disclosure agreements and other contractual provisions to establish and maintain its proprietary rights. The Company currently licenses the source code for its current CD-ROM version of ENGLISH PRO Version 6.2 from Boswell International Technologies Inc. and Boswell Industries Inc. The Company does not include any mechanisms to prevent or inhibit unauthorized copying, but relies on "shrink wrap" licenses that restrict copying and use of its software products. The Company is aware that significant copying occurs within the software industry, and if a significant amount of unauthorized copying of the Company's products were to occur, the Company's business, financial condition and operating results could be adversely affected.

As part of its confidentiality procedures, the Company generally enters into nondisclosure and confidentiality agreements with each of its key employees, consultants and business partners and limits access to and distribution of its technology, documentation and other proprietary information. In particular, the Company has entered into non-disclosure agreements with each of its employees and business partners. The terms of the employee non-disclosure agreements include provisions requiring assignment to the Company of employee inventions. Despite the Company's efforts to protect its intellectual property rights, unauthorized third parties, including competitors, may from time to time copy or reverse engineer certain portions of the Company's technology and use such information to create competitive products.

Policing the unauthorized use of the Company's software is difficult, and, while the Company is unable to determine the extent to which piracy of the Company's software exists, such piracy can be expected to be a persistent problem. In addition, the laws of certain countries in which the Company's software is or may be licensed do not protect its products and intellectual property rights to the same extent as do the laws of the United States. As a result, sales of products based on the Company's software in such countries may increase the likelihood that the Company's software might be infringed upon by unauthorized third parties.

It is possible that the scope, validity and/or enforceability of the Company's intellectual property rights could be challenged by competitors or other parties. The results of such challenges before administrative bodies or courts depend on many factors which cannot be accurately assessed at this time. Unfavorable decisions by such administrative bodies or courts could have a negative impact on the Company's intellectual property rights. Any such challenges, whether with or without merit, could be time consuming, result in costly litigation and diversion of resources, cause product shipment delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all. In the event of a claim of infringement against the Company and the Company's failure or inability to license the infringed or similar software, the Company's business, operating results and financial condition could be materially adversely affected.

The Company has not registered any patents or trademarks in the Canada, the United States or elsewhere.

Government Regulation

The Company is not currently subject to direct federal, state or local regulation in the United States other than regulations applicable to businesses generally or directly applicable to electronic commerce. However, because the Internet is becoming increasingly popular, it is possible that a number of laws and regulations may be adopted in the United States with respect to the Internet. These laws may cover issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security. Furthermore, the growth of electronic commerce may prompt calls for more stringent consumer protection laws. Several states have proposed legislation to limit the use of personal user information gathered online or require online services to establish privacy policies. The Federal Trade Commission has indicated that it may propose legislation on this issue to Congress in the near future and has initiated action against at least one online service regarding the manner in which personal information was collected from users and provided to third parties. The adoption of such consumer protection laws could create uncertainty in Internet usage and reduce the demand for all products and services. The Company does not provide customer information to third parties and, therefore, does not anticipate any current or proposed legislation relating to online privacy to directly affect its activities to a material extent.

The Company is not certain how its business may be affected by the application of existing laws governing issues such as property ownership, copyrights, encryption and other intellectual property issues, taxation, libel, obscenity and export or import matters. The vast majority of those laws were adopted prior to the advent of the Internet. As a result, they do not contemplate or address the unique issues of the Internet and related technologies. Changes in laws intended to address such issues could create uncertainty in the Internet marketplace. That uncertainty could reduce demand for the Company's products or services or increase the cost of doing business as a result of litigation costs or increased service delivery costs.

In addition, because the Company's products and services are available over the Internet in multiple states and foreign countries, other jurisdictions may claim that the Company is required to qualify to do business and pay

taxes in each state or foreign country. The Company is qualified to do business only in Nevada. The Company's failure to qualify in other jurisdictions when it is required to do so could subject it to penalties. It could also hamper the Company's ability to enforce contracts in those jurisdictions. The application of laws or regulations from jurisdictions whose laws do not currently apply to the Company's business could have a material adverse affect on its business, results of operations and financial condition.

The European Union has adopted a policy directive which went into effect in 1998. Under this directive, business entities domiciled in member states of the EU are limited in the transactions they may do with business entities domiciled outside the EU unless they are domiciled in a jurisdiction with privacy laws comparable to the EU privacy directive. The United States presently does not have laws which satisfy the EU. Discussions between representatives of the EU and the United States are ongoing and may lead to certain safe harbor provisions which, if adhered to, would allow business entities in the EU and the United States to continue to do business without limitation. If these negotiations are not successful and the EU begins enforcement of the privacy directive, there could be an adverse impact on international Internet business. If the Company does business directly in the EU in the future the Company will be required to comply with the privacy directive of the EU.

Plan of Operation

During the next twelve months, the Company plans to release the following new software products and upgrades to existing products:

ENGLISH PRO Version 7.0 (single user), the CD-ROM version of the Company's English tutorial software, is planned for release in fourth quarter 1999, replacing the Company's current CD-ROM product, ENGLISH PRO Version 6.2 (single user). The Company anticipates that ENGLISH PRO Version 7.0 (single user) will be delivered to the retail market in time for the Christmas 1999 season.

ENGLISH PRO Web Edition is a continuously updated software program. Updates to the program are made available over the Company's freeENGLISH.com Internet Web site each month with additional course materials being made available each week. The Company plans to continue this upgrade schedule for the foreseeable future.

ENGLISH PRO Network Edition is also a continuously update software program and updates are made available to institutional clients. Course materials for ENGLISH PRO Web Edition are compatible with ENGLISH PRO Network Edition and as such are made available to ENGLISH PRO Network Edition users shortly after being made available to ENGLISH PRO Web Edition users.

New features are added to the Company's freeENGLISH.com Internet Web side on average every three months. Under this schedule, the Company expects to deliver approximately 20 new games and quizzes on its freeENGLISH.com Internet Web site through the end of second quarter 2000. Additional features which the Company plans to add to the freeENGLISH.com Internet Web site, include chat rooms, message boards and an education-focused Internet search engine. www.freeENGLISH.com is currently available in English, Chinese (simplified Chinese), Spanish and Portuguese. The Company plans to add Thai, Bhasa, Chinese (traditional Chinese), Japanese, German, French and Italian prior to the end of second quarter 2000.

The Company plans to focus its marketing efforts for ENGLISH PRO Web Edition and ENGLISH PRO Network Edition on current initiatives in Thailand, Malaysia, Columbia, Taiwan, and China. The marketing focus is likely to be split between signing new ISPs, Web portals and educational institutions in new markets and increasing advertising revenues in countries where ENGLISH PRO Web Edition and/or ENGLISH PRO Network Edition currently have a presence. The Company expects a large portion of its of advertising marketing efforts will be directed at Thailand, where the Company is currently implementing ENGLISH PRO Network Edition on the private computer network operated by the Ministry of University Affairs in Thailand. The Company expects that it will begin generating revenues from these efforts in fourth quarter 1999.

Research and development of ENGLISH PRO Web Edition, Network Edition, Version 7.0 (single user) and Version 7.0 (multi-user) is expected to continue through the end of 2000. The primary focus on development will be the addition of: additional phonetic English language modules; whole language English conversation practice modules; reading comprehension practice modules; grammar practice modules; vocabulary building

exercise modules; support for interactive tests and quizzes. Additionally new advertising models are continuously being developed for the products along with the necessary Web-based management tools to deliver, manage and support the advertisings.

Currently, the Company's working capital needs are approximately US\$90,000 per month. The Company does not expect to significantly raise these levels until advertising revenues have been generated. The Company is currently seeking financing for its operations and expects that it may need additional financing in the future.

Employees

As of June 30, 1999, the Company had 20 employees, including 11 in research and development, four in marketing and sales and five in management, finance and administration. The Company's success will depend in large part on its ability to attract and retain skilled and experienced employees. None of the Company's employees are covered by a collective bargaining agreement and the Company believes that its relations with its employees is good. The Company does not currently have any key man life insurance on any of its directors or executive officers.

Risk Factors

The business of the Company involves a number of risks and uncertainties that could cause actual results to differ materially from results projected in any forward-looking statement in this report. These risks and uncertainties include the risks set forth below. The Company's securities are speculative and investment in the Company's securities involves a high degree of risk and the possibility that the investor will suffer the loss of the entire amount invested.

Limited Operating History; History of Losses; Increased Expenses

The Company was organized in 1991 and therefore has only a limited operating history upon which an evaluation of its business and prospects can be based. Prior to 1998, the Company had no operations or revenues. The Company incurred a net loss of \$322,021 in the six months ended June 30, 1999. The Company has not had any significant revenue in recent years, it has never been profitable and there can be no assurance that, in the future, the Company will be profitable on a quarterly or annual basis. In addition, the Company plans to increase its operating expenses to expand its sales and marketing operations, fund greater levels of research and development, broaden its customer support capabilities and increase its administration resources. In view of the rapidly evolving nature of the Company's business and markets and limited operating history, the Company believes that period-to-period comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

Need for Additional Financing

Revenue from the Company's operations is not sufficient to finance the cost of development and marketing of its software. Accordingly, the Company must raise substantial additional funding. The Company expects to be able to meet its financial obligations for approximately the next three months. There is no assurance that, after such period, the Company will be able to secure financing or that such financing will be obtained on terms favorable to the Company. Failure to obtain adequate financing could result in significant delays in development of new products and a substantial curtailment of operations. The Company has accumulated losses of \$738,737 since it began operations in May 1998 and will require additional working capital to complete its business development activities and generate revenue adequate to cover operating and further development expenses.

Unpredictability of Future Revenues; Potential Fluctuations in Quarterly Results

As a result of the Company's limited operating history and the emerging nature of the market in which it competes, the Company is unable to forecast its revenues accurately. The Company's current and future expense levels are based largely on its investment plans and estimates of future revenue and are to a large extent fixed. Sales and operating results generally depend on the volume of, timing of and ability to fulfill orders received and advertising revenues generated, which are difficult to forecast. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in

revenue in relation to the Company's planned expenditures would have an immediate adverse affect on the Company's business, financial condition and results of operations. Further, in 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, financial condition, operating results and cash flows.

Developing Market; Unproven Acceptance of the Internet as a Medium for Learning and Education

The Company's long-term viability is substantially dependent upon the widespread acceptance and use of the Internet as a medium of learning and education. The use of the Internet as a means of facilitating educational processes is in a recent stage of development, and there can be no assurance that a sufficiently large number of customers will begin to use the Internet as a medium of learning and education. Demand and market acceptance for recently introduced educational programs over the Internet are subject to a high level of uncertainty and there exists few proven electronic learning business models. The Internet may not prove to be a viable medium of instruction because of inadequate development of the necessary infrastructure, such as a reliable network backbone, or delayed development of enabling technologies, such as high-speed modems and high-speed communication lines. The Internet has experienced, and is expected to continue to experience, significant growth in the number of users and amount of traffic. There can be no assurance that the Internet infrastructure will continue to be able to support the demands placed on it by this continued growth. In addition, delays in the development or adoption of new standards and protocols to handle increased levels of Internet activity or increased governmental regulation could slow or stop the growth of the Internet as a viable medium for learning and education. Moreover, critical issues concerning the commercial use of the Internet (including security, reliability, accessibility and quality of service) remain unresolved and may adversely affect the growth of Internet use or the attractiveness of subscribing to online educational content. Because the exchange of information on the Internet is new and evolving, there can be no assurance that the Internet will prove to be a viable medium of learning and education. The failure to resolve critical issues concerning the educational use of the Internet, the failure of the necessary infrastructure to develop in a timely manner, or the failure of the Internet to continue to develop rapidly as a viable medium of learning and education would have a material adverse effect on the Company's business, financial condition, operating results and cash flows.

Unproven Acceptance of the Company's Products

The Company has only recently begun marketing and selling its ENGLISH PRO software products. As a result, it does not know that its products can successfully teach English to non-English speakers or that its products will attain market acceptance among persons seeking to learn the English language. The Company began offering its Internet-enabled version in December 1998 and has not yet installed its ENGLISH PRO Network Edition software product on any private computer networks. If the Company's products prove to be unsuccessful in assisting non-English speakers in learning the English language, or if they fail to attain market acceptance, it could materially adversely affect the Company's financial condition, operating results and cash flows.

Dependence on Key Personnel

The Company's performance and future operating results are substantially dependent on the continued service and performance of its senior management and key technical and sales personnel. The Company intends to hire a significant number of additional technical and sales personnel in the next year. Competition for such personnel is intense, and there can be no assurance that the Company can retain its key technical, sales and managerial employees or that it will be able to attract or retain highly-qualified technical and managerial personnel in the future. The loss of the services of any of the Company's senior management or other key employees or the inability to attract and retain the necessary technical, sales and managerial personnel could have a material adverse effect upon the Company's business, financial condition, operating results and cash flows. The Company does not currently maintain "key man" insurance for any senior management or other key employees.

Mark Crimeni, EDUVERSE Canada's Executive Vice President, has recently been the subject to a disciplinary action by the British Columbia Securities Commission and a criminal charge relating to illegal possession and storage of a firearm. The criminal charges have been dropped. To the extent Mr. Crimeni, or any

other executive officers of the Company become involved in regulatory or criminal proceedings in the future, it could materially, adversely affect the Company.

Liability for Information Displayed on the Company's Internet Web Sites

The Company may be subjected to claims for defamation, negligence, copyright or trademark infringement and various other claims relating to the nature and content of materials it publishes on its Internet Web sites. These types of claims have been brought, sometimes successfully, against online businesses in the past. The Company could also face claims based on the content that is accessible from its Internet Web sites through links to other Web sites.

Dependence on Continued Growth in Use of the Internet

The success of the Company's business depends, in part, on continued growth in the use of the Internet and would suffer if Internet usage does not continue to grow. Internet usage may be inhibited for a number of reasons, such as:

- o Inadequate network infrastructure;
- o Security concerns;
- o Inconsistent quality of service;
- o Disruptions resulting from the inability of computer systems to recognize the year 2000;
- o Lack of available cost-effective, high-speed service;
- o The adoption of new standards or protocols for the Internet; and
- o Changes or increases in government regulation.

Online companies have experienced interruptions in their services as a result of outages and other delays occurring due to problems with the Internet network infrastructure, disruptions in Internet access provided by third-party providers or failure of third party providers to handle higher volumes of user traffic. If Internet usage grows, the Internet infrastructure or third-party service providers may be unable to support the increased demands which may result in a decline of performance, reliability or ability to access the Internet. If outages or delays frequently occur in the future, Internet usage, as well as usage of the Company's Internet Web sites, could grow more slowly or decline.

Security and Privacy Issues

The Company could be subject to litigation and liability if third parties were able to penetrate the Company's network security or otherwise misappropriate its customers' personal or other information. The Company uses a third-party system for processing online Internet orders for its products and as such keeps no personal information on its customers. The only information required by a user downloading ENGLISH PRO Web Edition from the freeENGLISH.com Web site is their birthdate, gender, city, state and country, however visitors may enter their name, company, mailing address, telephone, fax information voluntarily. No credit card information is required to be entered into any of its freeENGLISH.com systems. Liability for misuse of customer information could include impersonation or other similar fraud claims. It could also include claims for other misuses of personal information, such as for unauthorized marketing purposes. In addition, the Federal Trade Commission and some states have been investigating various Internet companies regarding their use of personal information. The Company could incur additional expenses and be required to change its current practices if new regulations regarding the use of personal information are adopted or should government agencies choose to investigate its privacy practices.

Furthermore, the Company's computer servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions. The Company may need to expend significant additional capital and other resources to protect against a security breach or to alleviate problems caused by any breaches. There can be no assurance that the Company can prevent or remedy all security breaches. If any of these breaches occur, the Company could lose customers and visitors to its Internet Web sites.

Dependence on Certain Marketing and Licensing Relationships

The Company is dependent upon a number of marketing, and licensing arrangements relating to the development and sale of its products. Of the Company's current products, ENGLISH PRO Version 6.2 (single user) and ENGLISH PRO Version 6.2 (multi-user) are based upon the technology licensed from Boswell. Under the terms of the license, the Company must pay Boswell a 5% royalty on gross revenues from the sale of all products that contain source code from the licensed technology. The Company expects that the ENGLISH PRO Version 6.2 products will continue to have a market presence until the fourth quarter of 1999, at which time the newly-developed ENGLISH PRO Version 7.0 is anticipated to become available in the retail market. In addition, the Company's software products are currently the only English tutorial products available through Web sites operated by Learn2.com, Inc. The agreement between the Company and Learn2.com, Inc. is non-exclusive and the introduction of other English tutorial software products by Learn2.com could reduce demand for the Company's products.

The Company has a number of agreements with ISPs and third party Web sites pursuant to which such parties place links on their Web sites to the Company's freeENGLISH.com Internet Web site in exchange for a portion of the revenues generated from advertising in the Company's ENGLISH PRO Web Edition software. As of August 24, 1999, the Company currently has affiliate program agreements with eight ISPs and five third party Web portals. In addition, the Company has recently completed an affiliate program agreement with the Ministry of University Affairs in Thailand pursuant to which it is implementing its ENGLISH PRO Network Edition on the private computer network operated by the Ministry. The loss of one or more of these relationships could have a material adverse effect on the Company's financial condition and results of operations.

Reliance on Other Third Parties

The Company's operations depend to a significant degree on a number of other third parties, including telecommunication service providers. The Company has no effective control over these third parties and no long-term contractual relationships with any of them. From time to time, the Company could experience temporary interruptions in its Internet Web sites connections and its telecommunications access. Continuous or prolonged interruptions in the Company's Internet Web sites' connections or in its telecommunications access would have a material adverse effect on the Company's business, financial condition and results of operations. The Company's agreements with its Internet service providers place certain limits on the Company's ability to obtain damages from the service providers for failure to maintain the Company's connection to the Internet.

Competition

The English language instructional software market in which the Company operates is very competitive. Many competitors have substantially greater, financial, technical, marketing and distribution resources than the Company. The Company primarily competes in three major product areas:

- o educational retail software;
- o academic courseware developed for the school, corporate and government markets; and
- o distance education courses developed for the Internet.

In the all its markets, the Company competes against a large number of companies of varying sizes and resources. In the educational retail software market, the Company's primary competitors are The Learning Company and Broderbund, divisions of Mattel, Inc., The Walt Disney Co. and SofSource, Inc. In the academic courseware market, the Company's primary competitors are Berlitz International, Inc., DynEd International, Inc. and LinguaTech International. In the distance education market, the Company's primary competitors are Scholastic, Inc., Simon & Schuster, a division of Viacom, Inc. and The Lightspan Partnership, Inc. There are an increasing number of competitive products offered by a growing number of companies. Increased competition in any product area may result in a loss of retail shelf space, reduction in sales or additional price competition, any of which could have a material adverse effect on the Company's operating results. In addition, existing competitors may continue to broaden their product lines and potential competitors, including large computer or software manufacturers, entertainment companies and educational publishers, may enter or increase their focus on the English language education market, resulting in greater competition for the Company.

Most of the Company's current and potential competitors have substantially longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than the Company. In addition, competitors may be acquired by, receive investments from or enter into other commercial relationships with larger, well-established and well-financed companies as the use of the Internet and other online services increases. Many of the Company's competitors may be able to respond more quickly to changes in customer preferences, devote greater resources to marketing and promotional campaigns, develop more advanced educational systems, adopt more aggressive pricing or inventory availability policies and devote substantially more resources to Internet site and systems development than the Company.

It is possible that new competitors or alliances among competitors may emerge and rapidly acquire market share. Increased competition may result in reduced operating margins, loss of market share and a diminished brand franchise, any one of which could materially adversely affect the Company's business, results of operations and financial condition. There can be no assurance that the Company will be able to compete successfully against current or future competitors or alliances of such competitors, or that competitive pressures faced by the Company will not materially adversely affect its business, financial condition, operating results and cash flows.

Need To Adapt To Business And Cultural Practices Of Other Countries

The Company plans to provide its English language educational programs in many different countries throughout the world. There are enormous variations in language, culture, religion, custom and business practices in the areas in which the Company plans to do business. Even where people speak a common language (such as Spanish), there are great variations from region to region and nation to nation. To be successful, the Company will need to adapt its offerings and method of operations to the locations in which it does business. Educational methods and business practices that succeed in one nation or region may be entirely inappropriate in others. To be successful, the Company must adapt its educational offerings and business practices to each market it services, and its ability to do so is uncertain.

Uncertainty Of Business Model

The Company expects to receive significant revenues from advertising on its ENGLISH PRO Web Edition and ENGLISH PRO Network Edition products. The Company's arrangements with the Ministry of Education of Thailand permit the Company to sell banner advertisements to be included in material displayed to students accessing the Company's software, and to share a portion of advertising revenue with the Ministry. It is uncertain whether advertisers will find this an attractive marketing medium or that the Company will be able to generate significant advertising revenue in order to cover the cost of developing and marketing its software.

Even if the Company is successful in its program with the Ministry of Thailand, it is uncertain whether government agencies, universities and other prospective business partners will find it appropriate to permit advertising to be displayed to students or others who access course materials through networks or facilities they operate or endorse.

Capacity Constraints; Reliance on Internally Developed Systems; System Development Risks

The availability, reliability and satisfactory performance of the Company's Internet Web sites, transaction processing systems and network infrastructure are critical to the Company's reputation and its ability to attract and retain online students and to provide adequate customer service. Because the Company intends to place advertising within its Internet-enabled software, the Company anticipates that a significant portion of its future revenues will depend on the number of English language students who download its software from its freeENGLISH.com Internet Web Site. Any network interruptions or system shortcomings that result in the unavailability of the Company's Internet Web sites would reduce the volume of software downloaded and the attractiveness of the Company's product and service offerings. System delays or interruptions could negatively impact a customer's experience and reduce the likelihood that such customer would return to the Company's Internet Web sites in the future. Substantial increases in the volume of traffic on the Company's Internet Web sites or the number of downloads by prospective students through the Company's Internet Web sites may require the Company to further expand and upgrade its technology, transaction processing systems and network infrastructure and increase costs. There can be no assurance that the Company will be able to accurately project the rate or timing of increases, if any, in the use of its

Internet Web sites, or that it will have the technical or financial resources to expand and upgrade its systems and infrastructure to accommodate such increases in a timely manner.

Risks of Potential Government Regulation and Other Legal Uncertainties Relating to the Internet

The Company is not currently subject to direct federal, state or local regulation in the United States other than regulations applicable to businesses generally or directly applicable to electronic commerce. However, because the Internet is becoming increasingly popular, it is possible that a number of laws and regulations may be adopted in the United States with respect to the Internet. These laws may cover issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security. Furthermore, the growth of electronic commerce may prompt calls for more stringent consumer protection laws. The adoption of such consumer protection laws could create uncertainty in Internet usage and reduce the demand for all products and services.

In addition, the Company is not certain how its business may be affected by the application of existing laws governing issues such as property ownership, copyrights, encryption and other intellectual property issues, taxation, libel, obscenity and export or import matters. It is possible that future applications of these laws to the Company's business could reduce demand for its products and services or increase the cost of doing business as a result of litigation costs or increased service delivery costs.

Because the Company's services are available over the Internet in multiple states and foreign countries, other jurisdictions may claim that the Company is required to qualify to do business and pay taxes in each state or foreign country. The Company is qualified to do business only in Nevada. The Company's failure to qualify in other jurisdictions when it is required to do so could subject the Company to penalties and could restrict the Company's ability to enforce contracts in those jurisdictions. The application of laws or regulations from jurisdictions whose laws do not currently apply to the Company's business may have a material adverse affect on its business, results of operations and financial condition.

The European Union recently adopted a directive addressing data privacy that may result in limits on the collection and use of consumer information. See "Business -- Government Regulation."

Intellectual Property Rights

The Company's success is dependent on its ability to protect its intellectual property rights. The Company relies principally on a combination of patent, copyright and trade secret laws, non-disclosure agreements and other contractual provisions to establish and maintain its proprietary rights. The Company currently licenses the source code for its current retail CD-ROM version of ENGLISH PRO Version 6.2 from Boswell International Technologies Inc. and Boswell Industries Inc. The Company does not include any mechanisms to prevent or inhibit unauthorized copying, but instead relies on "shrink wrap" licenses that restrict copying and use of its software products. The Company is aware that significant copying occurs within the software industry, and if a significant amount of unauthorized copying of the Company's products were to occur, the Company's business, financial condition and operating results could be adversely affected.

As part of its confidentiality procedures, the Company generally enters into nondisclosure and confidentiality agreements with each of its key employees, consultants and business partners and limits access to and distribution of its technology, documentation and other proprietary information. In particular, the Company has entered into non-disclosure agreements with each of its employees and business partners. The terms of the employee non-disclosure agreements include provisions requiring assignment to the Company of employee inventions. Despite the Company's efforts to protect its intellectual property rights, unauthorized third parties, including competitors, may from time to time copy or reverse engineer certain portions of the Company's technology and use such information to create competitive products.

Policing the unauthorized use of the Company's software is difficult, and, while the Company is unable to determine the extent to which piracy of the Company's software exists, such piracy can be expected to be a persistent problem. In addition, the laws of certain countries in which the Company's software is or may be licensed do not protect its products and intellectual property rights to the same extent as do the laws of the United

States. As a result, sales of products based on the Company's software in such countries may increase the likelihood that the Company's software might be infringed upon by unauthorized third parties.

It is possible that the scope, validity and/or enforceability of the Company's intellectual property rights could be challenged by competitors or other parties. The results of such challenges before administrative bodies or courts depend on many factors which cannot be accurately assessed at this time. Unfavorable decisions by such administrative bodies or courts could have a negative impact on the Company's intellectual property rights. Any such challenges, whether with or without merit, could be time consuming, result in costly litigation and diversion of resources, cause product shipment delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all. In the event of a claim of infringement against the Company and the Company's failure or inability to license the infringed or similar software, the Company's business, operating results and financial condition could be materially adversely affected.

Uncertainties Relating to the Year 2000

Because many computer applications have been written using two digits rather than four to define the applicable year, some date sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This year 2000 problem could result in systems failures or miscalculations causing disruptions of operations, including disruptions of the Company's Internet Web site. The Company has obtained confirmation from all of its third-party vendors that they have resolved their year 2000 issues and has completed its year 2000 compliance testing program. The systems and services provided by these vendors may fail to be year 2000 compliant despite their representations to the contrary. Failure of these systems or services to be year 2000 compliant could result in a systemic failure beyond the Company's control and prevent the Company from delivering its products to its customers, prevent users from accessing the Company's Internet Web site and decrease the use of the Internet generally. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Year 2000 Compliance."

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

The following discussion contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed in these forward-looking statements as a result of various factors, including those set forth in "risk factors" and elsewhere in this registration statement. The following discussion should be read in conjunction with the financial statements and notes thereto included elsewhere in this registration statement. See "Forward-looking Statements" and "Business-Risk Factors."

Overview

The Company develops and markets software programs under several product names to assist non-English speaking students in learning spoken English. In addition to traditional "boxed" software available in retail stores, the Company has been delivering its software products via the Internet and private computer networks since December 1998. The Company began operations on May 5, 1998.

On May 28, 1998 and May 29, 1998, the Company acquired all of the issued and outstanding share capital of ESL PRO Systems Inc. ("ESL") and M&M Information and Marketing Services, Inc. ("M&M"), respectively, which were both Nevada corporations incorporated on May 5, 1998 and under common control. As a result of these acquisitions, the former shareholders of ESL and M&M, as a group, owned more than 50% of the issued and outstanding voting shares of the Company. Consequently, this business combination has been accounted for as a reverse acquisition whereby ESL and M&M are deemed to have been combined, on a continuity of interests basis, since their inception on May 5, 1998 and to have acquired the Company. Accordingly, the financial statements of the Company reflect the historical accounts of ESL and M&M since their inception at their historic net book values, and the accounts of the Company, comprising nominal net assets, at their estimated fair value at the time of the transaction.

The reverse acquisition transaction resulted in the acquisition by the Company of 2,000,000 shares of ESL common stock and 7,000,000 shares of M&M common stock in exchange for the issuance of 9,000,000 shares of the Company's common stock.

On June 20, 1998, the Company formed EDUVERSE Accelerated Learning Systems (Canada) Inc. ("EDUVERSE Canada"). EDUVERSE Canada operates the Company's development and marketing operations.

The Company licensed the core software application contained in ENGLISH PRO Version 6.2 in May 1998 and began shipping ENGLISH PRO Version 6.2 to computer retailers and bookstores in Canada in December 1998. In first quarter 1999 the Company began offering its products in the United States. In order to direct more of its internal resources to establishing awareness of its Internet-enabled products, in March 1999, the Company appointed Tri Synergy, Inc. ("Tri Synergy") as a non-exclusive North American retail marketer of its CD-ROM based products. As of August 1999, ENGLISH PRO Version 6.2 is sold in over 500 retail outlets in North America.

The Company began development of its Internet-enabled software product in August 1998 and released the first version of ENGLISH PRO Web Edition on its freeENGLISH.com Internet Web site in December 1998. Since that time, the Company has upgraded the program and added additional course materials. The first version of ENGLISH PRO Network Edition is currently being installed in Thailand on the Ministry of University Affairs University Network, a private computer network operated by the Ministry. ENGLISH PRO Web Edition and ENGLISH PRO Network Edition are delivered free to consumers over the Internet, private computer networks and local and wide area networks.

The Company derives revenues from the sale of CD-ROM products in the retail marketplace and plans to derive its revenues from the sale of advertisements embedded in the ENGLISH PRO Web Edition and ENGLISH PRO Network Edition software and on its freeENGLISH.com Internet Web site. Revenues are recognized on its CD-ROM products upon shipping to its retailers or distributors. Typically, the Company enters into reseller and distribution arrangements with retailers and distributors for the sale of its CD-ROM products. Resellers are normally offered a 40% discount off of the manufacturer's suggested list price, which for ENGLISH PRO Version 6.2 is \$29.99. Distributors are normally offered an additional discount up to 30%.

To date, the Company has not derived any revenues from the sales of advertising embedded in its Internet- and network-enabled software. However, in order to increase the number of users of its ENGLISH PRO Web Edition software and its ENGLISH PRO Network Edition software, the Company has entered into affiliate program agreements with ISPs, Web portals, private corporations and governmental and educational institutions, pursuant to which the Company has agreed to share gross revenues derived from advertising and from the sale of products and services on a third party's Web site that result from traffic directed from an affiliate program participant's Web site. The agreements typically require the Company to share 15% of any gross revenues generated; however, this percentage may be higher depending upon the nature of the contributions by the third party. The Company has recently entered into an agreement with the Ministry of University Affairs in Thailand to install its ENGLISH PRO Network Edition software on a private computer network operated by the Ministry. The Company estimates that upon implementation, approximately one million students in Thailand will have access to the Company's English language teaching software. The Company expects to begin generating advertising revenues from this contract in the fourth quarter of 1999.

The Company has incurred losses since inception, and at June 30, 1999, had an accumulated deficit of \$738,737. The Company has recently increased its sales and marketing and general and administrative expenses as it has focused the entire efforts of its direct sales force to signing agreements with ISPs, Web portals and foreign governmental and educational institutions. The Company has also increased research and development expenses as it has focused almost entirely on continued development of the ENGLISH PRO Web Edition and ENGLISH PRO Network Edition software and its freeENGLISH.com Internet Web site. The Company plans to continue increasing operating expenses to expand its sales operations, fund greater levels of research and development for its Internet-based product lines, improve its operational and financial systems and expand its international operations. As a result, the Company is likely to continue to incur losses, and if the Company's revenues do not continue to grow significantly, the Company may not ever be profitable.

Results of Operations

The following table presents the Company's audited results of operations for the nine-month period ended December 31, 1998 and unaudited results of operations for the six-month period ended June 30, 1999. The unaudited statements include data that has been derived from unaudited consolidated financial statements that have been prepared on the same basis as the annual audited consolidated financial statements and, in the opinion of the Company's management, include all normal recurring adjustments necessary for the fair presentation of such information. This data should be read in conjunction with the Company's consolidated financial statements included in this registration statement.

	Six-Month Period Ended Jun-30 1999	Nine-Month Period Ended Dec-31 1998
Revenues:		
Software.....	\$ 95,497	\$ 14,824
Distribution Royalties.....	40,644	
Other.....	96,945	
Total Revenues.....	233,086	14,824
Cost of Revenues:		
Total Cost of Revenues.....	(35,923)	(6,873)
Gross Profit.....	197,163	7,951
Expenses:		
Amortization of License.....	31,900	52,000
Depreciation.....	7,336	4,205
General and Administrative.....	216,185	207,644
Marketing.....	127,797	57,485
Research and Development.....	135,966	103,333
Total Expenses.....	519,184	424,667
Net Loss.....	(322,021)	(416,716)
Deficit Beginning of Period.....	(416,716)	0
Deficit End of Period.....	(738,737)	(416,716)

Six-Month Period Ended June 30, 1999

Revenues. The Company derives its revenues from retail sales of its software products, royalties received from distributors of its software products and consulting fees from services performed by senior management of the Company. Royalties are fees paid by third parties to obtain the exclusive right to sell the Company's software products in a country or region for a fixed period of time. Other revenue items include non-software related income, such as consulting fees and bank interest. These consulting fees are determined on a project-by-project basis taking into account the value of its input in the project and the amount of hours required to complete the project. For the year ended December 31, 1998, 36% of the Company's software sales were derived from one customer. Revenues for the six-month period ended June 30, 1999 were \$233,086 compared with \$14,824 for the nine-month period ended December 31, 1998. This increase is primarily due to the introduction of the Company's ENGLISH PRO Version 6.2 product into the retail marketplace in Canada and the United States in December 1998 and March 1999, respectively, and also due to increased consulting fees paid to the Company's executive officers. The Company anticipates that retail sales of its software products will continue during the remainder of 1999 as a result of the planned introduction of ENGLISH PRO Version 7.0 (single user) in the fourth quarter of 1999. In addition, it is anticipated that additional revenues from the sale of advertising embedded in the Company's Internet-enabled software product will be generated beginning the fourth quarter of 1999.

Cost of Revenues. Cost of revenues consists of expenses associated with the physical production of the "boxed" software packages that are sold in the retail market and the deployment of the Company's Internet Web sites, including Internet connection charges. During the six-month period ended June 30, 1999, cost of goods sold increased to \$35,923 from \$6,873 during the nine-month period ended December 31, 1998. This increase is primarily due to increased costs associated with the increase in the sales of software packages.

Amortization and Depreciation. Amortization and depreciation expenses consist of depreciation on leased and owned computer equipment, software, office equipment and furniture and amortization of a license fee for the use of software. Capital assets such as computer equipment and furniture and office equipment are depreciated on a straight-line basis over their estimated useful lives, computer equipment over three years and furniture and office equipment over five years. The license fee for use of software is amortized on a straight-line basis over the three-year

minimum term of the license agreement with Boswell. The Company incurred depreciation expenses of 7,336 during the six-month period ended June 30, 1999 and amortization expenses of \$31,900 for the same period.

General and Administration Expenses. General and administrative expenses primarily consist of management, financial and administrative personnel expenses and related costs and professional service fees. General and administrative expenses were \$216,185 for the six-month period ended June 30, 1999, which represents an increase of 4.1% over the 1998 fiscal year. This increase is due primarily to an increase in expenses related to auditing the Company's financial statements for the fiscal period ended December 31, 1998. The Company anticipates that general and administrative expenses will increase in the third quarter of 1999 as a result of increased legal fees relating to the registration of its common stock under the United States Securities Exchange Act of 1934 and compliance with related reporting requirements.

Marketing Expenses. Marketing expenses consist primarily of marketing and promotional costs relating to the development of the Company's brands as well as personnel, travel and other costs. Marketing expenses were \$127,797 for the six-month period ended June 30, 1999 which were 122% higher than those incurred during the 1998 fiscal year. This increase was primarily attributable to increased travel expenses incurred to promote the Company's Internet-enabled software products. The Company anticipates marketing expenses will increase over the next 12 months as a result of its current initiatives in Thailand and throughout Asia and Latin America, which will require extensive travel for the its marketing staff.

Research and Development Expenses. Research and development expenses primarily include personnel costs relating to developing the Company's software and maintaining and enhancing the features, content and functionality of the Company's Internet Web site and related systems. Research and development expenses were \$135,966 for the six-month period ended June 30, 1999 which represents an increase of 31.6% over the 1998 fiscal year. This increase was primarily due to increased staffing in the research and development team. The Company anticipates that its research and development staff will continue to grow through the end of 1999 and into 2000 as the Company focuses on improving and expanding the features and availability of its Internet-and network-enabled software products.

Income Taxes. No provision for federal income taxes has been recorded for the six-month period ended June 30, 1999 or the nine-month period ended December 31, 1998 as a result of losses. As of December 31, 1998, the Company had approximately \$416,716 of federal net operating loss carryforwards available to offset future taxable income; these carryforwards expire in various years beginning in 2018, if not previously utilized.

Nine-Month Period Ended December 31, 1998

Revenues. Revenues were \$14,824 for the nine-month period ended December 31, 1998. This amount primarily consists of retail sales of the Company's ENGLISH PRO Version 6.2 CD-ROM software product which was introduced in Canada in December 1998.

Cost of Revenues. Cost of revenues was \$6,873 for the nine-month period ended December 31, 1998 and primarily reflects costs associated with production of the initial production of the Company's ENGLISH PRO Version 6.2 CD-ROM software product.

Amortization and Depreciation. Depreciation expenses for the nine-month period ended December 31, 1998 were \$4,205 and amortization expenses were \$52,000 for the same period. Amortization expenses consist primarily of amortization of a license fee for the use of software.

General and Administration Expenses. General and administrative expenses were \$207,644 for the nine-month period December 31, 1998, which consisted primarily of management, financial and administrative personnel expenses and related costs and professional service fees.

Marketing Expenses. Marketing expenses were \$57,485 for the nine-month period ended December 31, 1998 during which period the Company began preliminary sales and marketing efforts related to the CD-ROM version of its software.

Research and Development Expenses. Research and development expenses were \$103,333 for the nine-month period ended December 31, 1998 during which period the Company began assembling a research and development team necessary to further the development of the Company's software products and Internet Web sites.

Liquidity and Capital Resources

Since inception, the Company has financed operations and met its capital expenditure requirements primarily through private sales of equity securities, which have resulted in net proceeds of \$985,731 through June 30, 1999. At June 30, 1999, the Company had \$331,733 in cash and cash equivalents and \$321,178 in working capital.

The Company has not yet generated positive cash from operating activities. Cash used in operating activities was \$241,396 and \$373,693 for the nine-month period ended December 31, 1998 and the six-month period ended June 30, 1999, respectively. The Company does not expect to generate positive cash from operations for the year ending December 31, 1999.

To date, the Company's investing activities have consisted of capital expenditures totaling \$20,298 and \$26,294 for the nine-month period ended December 31, 1998 and the six-month period ended June 30, 1999, respectively. The capital expenditures related primarily to the acquisition of computer software and equipment as well as furniture and fixtures used to support its growing employee base.

Net cash provided by financing activities was \$297,778 and \$697,662 for the nine-month period ended December 31, 1998 and the six month period ended June 30, 1999, respectively. Net cash provided by financing activities resulted primarily from issuance of capital stock, which was partially offset by principal payments on capital leases and notes payable.

The Company does not foresee an immediate increase in operating expenses until such time as revenues commence from the sale of advertisements in Thailand and/or the Company is successful in raising equity or debt financing sufficient enough to meet its current working capital requirements and support an increase in operating expenses. The Company expects that revenues from advertising sales will occur in the fourth quarter of 1999 and therefore projects increases in development and marketing will coincide with these revenues.

The Company believes that available cash and cash equivalents combined with anticipated operating revenues will be adequate to fund the Company's operations over the next three months. Thereafter, the Company expects it will need to raise additional capital to meet its long-term operating requirements. The Company may encounter business initiatives that require significant cash commitments or unanticipated problems or expenses that could result in a requirement for additional cash before that time. If the Company raises additional funds through the issuance of equity or convertible debt securities, the percentage ownership of its shareholders would be reduced, and such securities might have rights, preferences or privileges senior to its common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company's ability to fund its expansion, take advantage of business opportunities, develop or enhance its products or otherwise respond to competitive pressures would be significantly limited, and it may significantly restrict the Company's operations.

Foreign Currency Translation and Hedging

The Company is exposed to foreign currency fluctuations through its operations in Canada. Substantially all of its revenues to date and corresponding receivables have been in United States dollars. However, all research and development expenses, customer support costs and administrative expenses are in Canadian dollars.

The Company recorded a foreign exchange gain (loss) of \$1,673 and (\$2,026) for the nine-months ended December 31, 1998, the six-months ended June 30, 1999, respectively. As the foreign exchange gains (losses) were not significant, the Company does not, at this time, engage in forward exchange contracts for the purpose of hedging against fluctuations in the exchange rate between United States and Canadian dollars.

During the fourth quarter 1999 and the first two quarters of 2000, the Company intends to engage in activities in foreign countries, namely Thailand, Malaysia, Columbia, Taiwan and China. These activities will likely result in development expenses related to the installation, support and maintenance of ENGLISH PRO Network Edition on educational networks and sales and marketing expenses related to generating advertising revenues in these regions. The Company has no immediate plans for hedging against fluctuations in these currencies.

Year 2000 Compliance

The Year 2000 ("Y2K") issue is the result of certain computer hardware, operating system software and software application programs having been developed using two digits rather than four to define a year. For example the clock circuit in certain hardware may be incapable of holding a date beyond the year 1999; some operating systems may recognize a date using "00" as the year 1900 rather than 2000 and certain applications may have limited date processing capabilities. These problems could result in the failure of major systems or miscalculations, which could have a material impact on companies through business interruption or shutdown, financial loss, damage to reputation, and legal liability to third parties.

Within the past twelve months, the Company has been assessing its exposure to risks relating to the Y2K issue. These analysis and remediation issues are addressed in a four-phase plan of action.

Phase I - Inventory and Risk Assessment. This Phase requires an inventory and assessment of the business and information systems used by the Company, including desktop hardware and software, network hardware and software, and telephone systems. The Company uses Intel-based PC desktop products. In connection with a review of this hardware the Company has determined that all systems are Year 2000 compliant and contain four digit date codes. In addition the Company uses "off the shelf" software for desktop applications. In connection with a review of this software the Company has replaced its accounting software. The Company's existing products are all Year 2000 compliant and contain four digit date codes. As a result, the Company believes it has completed this Phase. The Company's Internet Web sites are Y2K compliant. The Company relies on Windows NT server software, Microsoft Internet Server software and Microsoft SQL Server software, all of which, the Company has been informed, are Y2K compliant. The Company does not have any contingency plans should the Microsoft software not work on January 1, 2000.

Phase II - Remediation Cost Estimation. This Phase involves the analysis of each Y2K compliance issue, determination of how such risks will be remediated and the cost of such remediation. As indicated, the Company does not anticipate needing to replace any additional hardware. It has upgraded some desktop software with readily available prepackaged programs. Because of the Company's limited operating history, it has not incurred significant time or expense in connection with transferring data to any upgraded desktop software. The Company believes it has completed this Phase.

Phase III - Remediation. This Phase includes the replacement or correction of any necessary business or information systems. This Phase is complete for both the information technology systems and the non-information technology business systems.

Phase IV - Remediation Testing. This Phase includes the future date testing of all remediation efforts made in Phase III to confirm that the changes made bring the affected systems into compliance, no new problems have arisen as a result of the remediation, and that all new systems which replaced non-compliant systems are Y2K compliant regardless of whether vendors represent that such systems are Y2K compliant. The Company believes it has completed this Phase and is therefore Y2K compliant.

Third Party Relationships. Even if the internal systems of the Company are not materially affected by the Year 2000 problem, the Company's business, financial condition and results of operations could be materially adversely affected by disruption in the operation of enterprises with which the Company interacts. The Company currently relies or plans to rely on third party companies in connection with the manufacture and distribution of its products. The Company plans to rely on Pac Services Inc. ("PAC") for the assembly and distribution of the Company's packaged CD-ROM software products. PAC has reported that it has developed a comprehensive plan to achieve Year 2000 compliance of its sensitive systems by the fall of 1999. However, PAC cannot guarantee its Year 2000 compliance or that of its suppliers. While another company could be retained to assemble and distribute the Company's packaged CD-ROM software products, any interruption in PAC's assembly or distribution of the

Company's packaged CD-ROM software products could have a significant adverse effect on the Company's business. The Company's servers in Thailand are Y2K compliant, and the Company has been informed by the Ministry of University Affairs that the Ministry is currently completing its Y2K readiness programs. If the Ministry's UniNet network does not operate on January 1, 2000, the Company will be unable to provide service on the UniNet until such time as the Ministry's network is functional, which could have a material adverse effect on the Company business and financial results.

Based on current information, the Company believes the Y2K issue will not have a material adverse effect on the Company, its consolidated financial position, results of operations or cash flows. However, there can be no assurance that the Company's Y2K remediation efforts, or those of third parties will be properly and timely completed, and the failure to do so could have a material adverse effect on the Company, its business, results of operation, and its financial condition. In particular, the Company has not yet completed its assessment of the Y2K readiness of its significant third-party service providers. Completion of this assessment may result in the identification of additional issues, which could have a material adverse effect on the Company's results of operations. In addition, important factors that could cause results to differ materially include, but are not limited to, the ability of the Company to successfully identify systems which have a Y2K issue, the nature and amount of remediation effort required to fix the affected system, and the costs and availability of labor and resources to successfully address the Y2K issues.

The worst-case scenario pertaining to the Y2K issue would be an overall failure of the Internet, electronic and telecommunications infrastructure. In addition, the systems and services provided by the Company's third-party vendors may fail to be Y2K compliant despite their representations to the contrary. The failure by these entities or systems to be Y2K compliant could result in a systemic failure beyond the Company's control, which could also prevent users from accessing the Company's freeENGLISH.com Internet Web site, which would have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is continuing to formulate its Y2K contingency plans. The Company views its dependence on critical suppliers and the Internet as its primary exposure to potential Y2K concerns. The Company will continue to evaluate potential alternatives to reduce its dependence on those suppliers, and secure alternate supplies in the event that any supplier experiences significant business interruption as a result of Y2K or other concerns. Development of the Y2K contingency plans is expected to be substantially complete by the end of September 1999.

ITEM 3 DESCRIPTION OF PROPERTY

EDUVERSE Accelerated Learning Systems (Canada) Inc., a wholly-owned subsidiary of the Company, currently leases approximately 5,000 square feet of office space on a month-to-month basis in Vancouver, British Columbia, Canada. The monthly rent is approximately US\$1,070. The Company's www.eduverse.com Web site is located on a server operated by Interland, a web-hosting service provider in the United States. The Company's www.freeENGLISH.com Web site is located on a Company-owned and operated server housed at SMARTT.COM, a Canadian server farm. The Company's servers operating the Ministry of University Affairs ENGLISH PRO Network Edition software are currently located on servers owned and operated by the Company and located in the offices of the Ministry of University Affairs in Bangkok, Thailand.

ITEM 4 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the number of shares of Common Stock owned beneficially as of June 30, 1999 by: (i) each person known to the Company to own more than five percent (5%) of any class of the Company's voting securities; (ii) each director of the Company; and (iii) all directors and officers as a group. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

Title of Class	Name and Address (7) of a Beneficial Owner	Amount and Nature of Beneficial Owner	Percent of Class(1)
Common Stock	Mark E. Bruk (2)	3,861,100	30.1%
Common Stock	Marc Crimeni (3)	3,686,100	28.8%
Common Stock	Robert Harris (4)	28,500	*
Common Stock	Peter O'Donnell (5)	19,500	*
Common Stock	All directors and officers of the Company as a group (3 persons) (6)	3,909,100	30.4%

* Represents less than 1% of the outstanding shares of common stock.

(1) Based on an aggregate 12,753,434 shares outstanding as of August 25, 1999

(2) Includes options to purchase 90,000 shares exercisable within 60 days of August 25, 1999.

(3) Includes options to purchase 30,000 shares exercisable within 60 days of August 25, 1999.

(4) Includes options to purchase 13,500 shares exercisable within 60 days of August 25, 1999.

(5) Includes options to purchase 4,500 shares exercisable within 60 days of August 25, 1999.

(6) Includes options to purchase 108,000 shares exercisable within 60 days of August 25, 1999.

(7) Unless otherwise noted, the address of each beneficial owner is 2nd Floor, 1235 West Pender Street, Vancouver, British Columbia V6E 2V1.

ITEM 5 DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Executive Officers and Directors

The following table sets forth certain information concerning the certain executive officers and directors of the Company and its subsidiaries as of August 31, 1999.

Name	Age	Position with the Company or Subsidiary
Mark E. Bruk	40	President, Chief Executive Officer, Treasurer and Chairman of the Board and Director
Robert Harris	50	Manager of Creative Research, EDUVERSE Accelerated Learning Systems (Canada) Inc., Secretary and Director
Marc Crimeni	40	Executive Vice President, EDUVERSE Accelerated Learning Systems (Canada) Inc.
Jeffrey Mah	38	Chief Technology Officer, EDUVERSE Accelerated Learning Systems (Canada) Inc.
Lorne Reicher	42	Vice President, Operations, EDUVERSE Accelerated Learning Systems (Canada) Inc.
Peter O'Donnell	48	Director

Mark E. Bruk has served as the Company's President, Treasurer, CEO and Chairman since May 28, 1998. He is also President, Treasurer, CEO and Chairman of the Company's wholly-owned subsidiary EDUVERSE Accelerated Learning Systems (Canada), Inc.; President, Secretary, Treasurer and sole Director of the Company's wholly owned subsidiary ESL PRO Systems, Inc.; and President, Secretary, Treasurer and sole Director of the Company's wholly owned subsidiary M&M Information & Marketing Services, Inc. From July 1996 to August 1997, Mr. Bruk served as Vice President of Applications and then Vice President of Research & Development for InMedia Presentations, Inc., a multimedia and software company ("InMedia"). From August 1995 to May 1996, Mr. Bruk served as the Product Manager for Boswell International Technologies Ltd., a software development company, where he supervised the redesign, development and production of the Boswell ESL system which the Company has subsequently licensed. From October 1994 to July 1995, Mr. Bruk founded and served as the President of News4U, a information service for delivering news via alpha-numeric and numeric pagers. From October 1993 to October 1994, Mr. Bruk served as President of CanFuture Development Inc., a custom software development company.

Robert Harris has served as the Manager of Creative Research of the Company's wholly owned subsidiary EDUVERSE Accelerated Learning Systems (Canada) Inc. and as Secretary and Director of the Company since June 3, 1998. From 1996 to 1998, Mr. Harris served as executive assistant to the Investment Director of a private investment corporation based in Vancouver and Riyadh, Saudi Arabia and as the assistant to the President for Wayburn Resources Inc., a mineral exploration company. From November 1990 to November 1995, Mr. Harris served as a compliance officer and a director for SZL Sportsight Inc., a sports entertainment technology company.

Marc Crimeni has served as the Executive Vice President of the Company's wholly owned subsidiary EDUVERSE Accelerated Learning Systems (Canada), Inc. since August 1, 1998. From November 1996 to July 1997, Mr. Crimeni served as Vice President of Sales and Marketing at InMedia. From February 1994 to November 1996, he served as the International Sales Manager for Inetco Systems Inc., a software company. From June 1992 to July 1993, Mr. Crimeni served as International Sales Manager for Prologic Computer Corporation, a software development company. On September 3, 1998, the British Columbia Securities Commission fined Mr. Crimeni Cdn\$10,000 for failing to disclose a pending criminal proceeding involving the improper storage of a firearm in a regulatory filing. As a result of this action, Mr. Crimeni agreed to resign any position he held as a director or officer of a reporting issuer in British Columbia, to not serve as a director or officer of any reporting issuer in British Columbia and to not engage in any investor relations activities until December 4, 1999. Mr. Crimeni also agreed to complete an educational program relating to securities prior to resuming any position as a director or executive officer of a British Columbia reporting issuer.

Jeffrey Mah has served as the Chief Technology Officer of the Company's wholly-owned subsidiary EDUVERSE Accelerated Learning Systems (Canada), Inc., since August 1, 1998. From January 1998 to May 1998, Mr. Mah founded and was President of e-werks Software, Inc., an educational software development firm. From March 1997 to January 1998, he served as Senior Java Programmer at InMedia. From May 1996 to November 1996, Mr. Mah was a member of the Scientific and Engineering Staff at MacDonald Dettwiler and Associates, an information technology company. From May 1994 to May 1996, Mr. Mah founded and was President of Stormchaser Productions, an information technology strategy and systems development and integration company. Mr. Mah is also serving as an Instructor at the British Columbia Institute of Technology, offering courses in object oriented application design in Java and structured programming. He received his Bachelor of Science Degree in Computer Science from the University of British Columbia in 1985.

Lorne Reicher has served as the Vice President of Operations of the Company's wholly owned subsidiary EDUVERSE Accelerated Learning Systems (Canada), Inc., since January 1, 1999. From June 1991 to January 1998, Mr. Reicher was the Director of Franchising, Western Region for Hartco Enterprises Inc., a franchisor of systems integrators, computer resellers and computer retailers. From June 1985 to Jun 1991, Mr. Reicher founded and was a partner and General Manager of the Penny Group, a independent computer reseller association.

Peter O'Donnell has served as a Director of the Company since May 28, 1998. Mr. O'Donnell is currently serving as the Vice-President, Marketing, of Intracom Corporation, an Internet medical imaging company and as the Chief Operating Officer of Personal Internet Assistants, Inc., an Internet research service. From 1997 to 1998, Mr. O'Donnell served as the Chief Executive Officer of Soqual Creative Marketing Services, a marketing company, and as the Executive Vice-President, Marketing, of The Black Vodka Company. From 1994 to 1997,

Mr. O'Donnell served as the Executive Vice-President of Sales and Marketing for OneVoice Corp., a multi-lingual Web content and translation/localization service. Mr. O'Donnell currently serves on the Board of Advisors for VidBot.com, a streaming video Internet directory company. He received his Bachelor's Degree in Journalism in 1972 from the University of Florida.

Board of Directors

Each member of the Board of Directors is elected annually and holds office until the next annual meeting of shareholders or until his successor has been elected or appointed, unless his office is earlier vacated in accordance with the Bylaws of the Company. Officers serve at the discretion of the Board and are appointed annually. The Board currently has no committees.

None of the Company's directors or executive officers are parties to any arrangement or understanding with any other person pursuant to which said individual was elected as a director or officer of the Company. No director or executive officer of the Company has any family relationship with any other officer or director of the Company.

ITEM 6 EXECUTIVE COMPENSATION

Compensation of Executive Officers

The following table sets forth compensation information for the Company's Chief Executive Officer during the fiscal year ended December 31, 1998:

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Compensation Bonus (\$)	Other Annual Compensation (\$)
Mark E. Bruk President, CEO and Chairman	1998	60,000	--	--

Option/SAR Grants in Last Fiscal Year

The following table shows information regarding grants of stock options to the Company's Chief Executive Officer during the year ended December 31, 1998.

Individual Grants

Name	Number of Shares Underlying Options Granted(#)(3)	Percent of Total Options Granted to Employees in Fiscal Year(2)	Exercise Price (\$/Share)(1)	Expiration Date
Mark E. Bruk	300,000	23.7%	\$0.75	6/3/02

- (1) The exercise price per share of each option is equal to the fair market value per share plus a premium of 10% of the fair market value per share of the underlying common stock on the date of grant.
- (2) Options to purchase 1,262,500 shares of common stock were granted by the Company to its employees, consultants and directors.
- (3) The options vest 2% per month for a period of 50 months from June 3, 1998.

Employment Agreements

Effective May 3, 1999, Marc Crimeni, Robert Harris, Jeffrey Mah and Lorne Reicher have entered into employment agreements with EDUVERSE Accelerated Learning Systems (Canada) Inc., the Company's wholly-owned subsidiary, providing for annual salaries of Cdn\$90,000, Cdn\$36,000, Cdn\$108,000 and Cdn\$60,000, respectively. The employment agreements may be terminated by the Company with 14 days written notice and by the employees with 30 days written notice. Each of the above named employees have entered into confidentiality and non-competition agreements with the Company.

Stock Option and Purchase Plans

1998 Stock Option Plan. The Board of Directors and shareholders of the Company adopted the 1998 Stock Option Plan (the "1998 Plan") on June 3, 1998 and amended it on May 30, 1999 and again on June 30, 1999. The 1998 Plan will terminate on the earlier of June 3, 2008 or such other date as the Board of Directors or committee thereof may determine. The 1998 Plan is administered by the Board of Directors or by a committee thereof (the "Plan Administrator") and provides that options may be granted to employees and officers of the Company or any of its subsidiaries and to directors of the Company who are employees of the Company or any of its subsidiaries, based on the eligibility criteria set out in the 1998 Plan.

The 1998 Plan authorizes the grant of "incentive stock options" as defined in Section 422A of the Internal Revenue Code of 1986, as amended (the "Code"), and "non-qualified" stock options. The options issued under the Stock Option Plan are exercisable at a price fixed by the Plan Administrator, in its sole discretion, subject to specific requirements relating to incentive stock options under the Code. Non-qualified and incentive stock options generally expire ten years from the grant date, except non-qualified and incentive stock options which are granted to a person owning more than 10% of the combined voting power of all classes of stock of the Company or any parent or subsidiary of the Company expire after five years from the grant date.

The maximum number of the shares reserved for issuance under the 1998 Plan, including options currently outstanding, is 2,500,000 shares. As of August 25, 1999, a total of 1,477,500 options are issued and unexercised.

1998 Director's Stock Option Plan. The Board of Directors and stockholders of the Company adopted the 1998 Director's Stock Option Plan (the "1998 Directors Plan") on June 3, 1998. The 1998 Directors Plan will terminate on the earlier of June 30, 2008 or such other date as the Board of Directors or committee thereof may determine. The 1998 Directors Plan is administered by the Board of Directors or by a committee thereof (the "Plan Administrator") and provides that options may be granted to Directors of the Company who are not employees of the Company.

Under the 1998 Directors Plan, options may be exercised at a price not less than the fair market value of the Company's common stock on the date of grant, which is deemed to be the closing price of the Company's shares on NASD Over-The-Counter Bulletin Board Market on the date of grant. Options are granted under the 1998 Directors Plan to eligible Directors in accordance with the following formula:

1. Upon initial election or appointment to the Board of Directors each director is entitled to receive an option to purchase up to 25,000 share of the Company's common stock.
2. Upon re-election to the Board of Directors each director is entitled to receive and option to purchase up to 8,000 shares of the Company's common stock.

In the event a Director serves only a partial term before re-election, the number of options to purchase shares granted upon their re-election is prorated to reflect the amount of time served as a Director. Options typically vest 2% each month and expire 10 years from the date of grant.

At December 31, 1998 and June 30, 1999, the granting of 25,000 options at an exercise price of \$0.68 per share had been authorized by the Board of Directors; however, no option agreements had been executed during 1998 or during the six months ended June 30, 1999.

The maximum number of shares reserved for issuance under the 1998 Directors Plan, including options currently outstanding, is 150,000 shares. As of August 25, 1999, a total of 25,000 options are issued and outstanding.

1998 Employee Stock Purchase Plan. The Company has established a share compensation arrangement for its employees known as the 1998 Employee Stock Purchase Plan (the "1998 Purchase Plan"). The 1998 Purchase Plan became effective as of June 3, 1998 and will terminate on the earlier of June 3, 2008, the date on which all authorized shares under the 1998 Purchase Plan are distributed or on a date determined by the Board of Directors. The 1998 Purchase Plan is administered by the Board of Directors or committee thereof (the "Plan Administrator"). Under the terms of the 1998 Purchase Plan, the aggregate number of shares that may be issued pursuant to the plan is 500,000.

The 1998 Purchase Plan provides that each full-time employee (subject to certain limited exceptions) of the Company may purchase shares of the Company's common stock by payroll deduction up to an amount equal to the lesser of (1) the maximum number of shares set by the Plan Administrator, or (2) 200% of the number of shares determined by dividing the dollar amount in such employee's payroll deduction account by 85% of the closing bid price on the NASD OTC Bulletin Board on the day previous to the purchase. The number of shares which an employee may purchase during any given offering period is determined by dividing the amount accumulated in such employee's payroll deduction account during the offering period by the lower of (1) eighty-five percent of the fair market value of a share of the Company's common stock on the first day of the offering period, or (2) eighty-five percent of the fair market value of the Company's common stock on the purchase date. At August 25, 1999, no employees had yet been offered participation in the 1998 Purchase Plan.

Compensation of Directors

During the most recently completed financial year ended December 31, 1998, there was no compensation paid by the Company to the directors for their services as directors except as otherwise disclosed herein. There are no standard arrangements for any such compensation to be paid other than reimbursement for expenses incurred in connection with their services as directors, although the Company from time to time may grant options to acquire Common Shares for directors. As at the date hereof the Company has no outstanding options to Directors that have been granted for their services as such.

ITEM 7 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except as otherwise disclosed herein, no director, senior officer, principal shareholder, or any associate or affiliate thereof, had any material interest, direct or indirect, in any transaction since the beginning of the last financial year of the Company that has materially affected the Company, or any proposed transaction that would materially affect the Company, except for an interest arising from the ownership of shares of the Company where the member will receive no extra or special benefit or advantage not shared on a pro rata basis by all holders of shares in the capital of the Company.

In May 1998, pursuant to an exchange offer, the Company acquired 100% of the outstanding Common Stock of ESL PRO Systems, Inc. and M&M Information & Marketing Services, Inc., corporations controlled by Mark E. Bruk, the Company's Chief Executive Officer, Treasurer and Chairman, and Marc Crimeni, Executive Vice President of the Company's wholly owned subsidiary EDUVERSE Accelerated Learning Systems (Canada) Inc. In connection with the acquisitions, the Company issued to the stockholders of ESL and M&M an aggregate of 9,000,000 shares of common stock. Mr. Bruk and Mr. Crimeni received 3,746,100 and 3,686,100 shares of the Company, respectively.

During 1998 and 1999, Mr. Bruk loaned an aggregate of \$63,685 to the Company, of which amount \$45,000 represented deferred consulting fees payable to Mr. Bruk. The loan was interest free and contained no repayment terms. As of July 31, 1999, all amounts outstanding under the loan have been prepaid.

In May 1999, the Company entered into employment agreements with Marc Crimeni, Robert Harris, Jeffrey Mah and Lorne Reicher. See "Executive Compensation -- Employment Agreements."

ITEM 8 DESCRIPTION OF SECURITIES

Common Stock

The Company is authorized to issue 50,000,000 shares of Common Stock, \$0.001 par value, of which 12,751,089 were outstanding at June 30, 1999. Holders of Common Stock are entitled to dividends, pro rata, when, as and if declared by the Board of Directors out of funds available therefor. Holders of Common Stock are entitled to cast one vote for each share held at all stockholder meetings for all purposes, including the election of directors. The holders of more than 50% of the Common Stock issued and outstanding and entitled to vote, present in person or by proxy, constitute a quorum at all meetings of stockholders. The vote of the holders of a majority of Common Stock present at such a meeting will decide any question brought before such meeting, except for certain actions such as amendments to the Company's Articles of Incorporation, mergers or dissolutions which require the vote of the holders of a majority of the outstanding Common Stock. Upon liquidation or dissolution, the holder of each outstanding share of Common Stock will be entitled to share equally in the assets of the Company legally available for distribution to such stockholder after payment of all liabilities. Holders of Common Stock are not granted any preemptive, subscription, redemption rights or registration rights. All outstanding shares of Common Stock are fully paid and nonassessable.

Preferred Stock

The Company is authorized to issue 5,000,000 shares of Preferred Stock, \$0.001 par value, of which no shares are currently outstanding. Holders of Preferred Stock are not entitled to any voting rights. The Company does not currently have any plans or arrangements to issue any Preferred Stock.

Anti-Takeover Provisions

Provisions of applicable Nevada law may affect potential changes in control. The cumulative effect of these provisions may be to make it more difficult to acquire and exercise control and to make changes in management.

Nevada law prohibits combinations between Nevada corporations and interested stockholders for a period of three years after the interested stockholder's date of acquiring shares unless the combination or the purchase of the shares by the interested stockholder is approved by the board of directors.

Applicable Nevada law also prohibits business combinations between Nevada corporations and interested stockholders following the expiration of three years after the interested stockholder's date of acquiring shares unless the combination meets the requirements specified in Section 78.439 for director and stockholder approvals or Sections 78.441 to 78.444 inclusive with respect to the consideration to be received in the combination by all stockholders other than the interested stockholder. Applicable Nevada law defines "interested stockholders" to include persons who, alone or together with affiliates, beneficially own at least 10% of the outstanding stock of the corporation. A Nevada corporation may opt out of the application of these provisions, but the Company has not opted out.

Applicable Nevada law also denies voting rights to a stockholder who acquires a controlling interest in a Nevada corporation, unless the voting rights are approved by a majority of the voting powers of the corporations. A Nevada corporation may opt out of the application of these provisions, but the Company has not opted out.

Nevada law does not require a stockholder vote of the surviving corporation of the merger if:

- o the merger does not amend the existing articles of incorporation;
- o each outstanding share of the surviving corporation before the merger is unchanged; and
- o the number of shares to be issued by the surviving corporation in the merger does not exceed 20% of the shares outstanding immediately prior to such issuance.

The effect of these provisions may be to make more difficult the accomplishment of a merger or other takeover or change in control. To the extent that these provisions have this effect, removal of the Company's incumbent Board of Directors and management may be rendered more difficult. Further, these provisions may make it more difficult for stockholders to participate in a tender or exchange offer for common stock and in so doing may diminish the market value of the common stock.

Transfer Agent and Registrar

The registrar and transfer agent of the Company is Holladay Stock Transfer, Inc., 2939 North 67th Place, Scottsdale, Arizona, US 85251

PART II

ITEM 1 MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock has traded on the NASD Over-The-Counter Market Bulletin Board ("OTCBB") since July 6, 1998 under the symbol "EDUV." The following is a summary of trading, on a calendar quarter basis, in the shares on the OTCBB during 1998 and 1999:

1998 ----	High ----	Low ---	Volume -----
Third Quarter	\$1.80	\$1.60	171,500
Fourth Quarter	\$1.70	\$0.50	1,221,800
1999 ----			
First Quarter	\$1.60	\$0.62	6,419,700
Second Quarter	\$2.00	\$0.68	4,068,600
Third Quarter (through July 31, 1999)	\$1.43	\$.90	632,900

The price for the Company's Shares on the OTCBB on July 31, 1999, was \$1.18 (High) and \$1.00 (Low), and the close price was \$1.06.

Other than described above, the Company's shares are not and have not been listed or quoted on any other exchange or quotation system.

As of June 30, 1999, the Company had approximately 800 shareholders of record (including nominees and brokers holding street accounts) of shares the Company's Common Stock.

The Company has never paid dividends on its Common Stock. The Company currently intends to retain earnings for use in its business and does not anticipate paying any dividends in the foreseeable future. As of August 31, 1999 there are outstanding options to purchase 1,477,500 shares of common stock.

ITEM 2 LEGAL PROCEEDINGS

The Company is not a party to, and none of the Company's property is subject to, any material pending or threatened legal proceeding.

ITEM 3 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

On May 28, 1998, upon recommendation by its Board of Directors, the Company dismissed the accounting firm Barry L. Friedman, P.C., of 1582 Tullita Drive, Las Vegas, Nevada, US 89123, as the auditors for the Company. On March 22, 1999, the Company retained Ernst & Young LLP, of 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y1C7, as auditors for the Company.

In connection with the audits of the most recent fiscal years and any interim period preceding dismissal, no disagreements exist with any former accountant on any matter of accounting principles or procedure, which disagreements if not resolved to the satisfaction of the former accountant would have caused him to make reference in connection with his report to the subject matter of the disagreement(s).

The principal accountant's report on the financial statements for any of the past two years contained no adverse opinion or a disclaimer of opinion nor was qualified as to uncertainty, audit scope or accounting principles.

ITEM 4 RECENT SALES OF UNREGISTERED SECURITIES

On May 28, 1999, the Company issued 2,000,000 shares of common stock in connection with the acquisition of ESL Pro Systems, Inc. ("ESL") at a deemed price of \$0.001 per share for an aggregate purchase price of \$2,000.00. The shares were issued to the stockholders of ESL: Mark Bruk, Marc Crimeni, Boswell International Technologies Ltd., Maggie Dodd, Al Hasley, Peter Apostoli, Wyn Roberts and Colin Laine. The shares were issued to holders outside the United States pursuant to an exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amended (the "Securities Act").

On May 28, 1999, the Company issued 7,000,000 shares of common stock in connection with the acquisition of M&M Information & Marketing Service, Inc. ("M&M") at a deemed price of \$0.001 per share for an aggregate purchase price of \$7,000.00. The shares were issued to the stockholders of M&M: Mark Bruk, Lil Crimeni, John and Helen Bruk, Ian Bruk, Bruce Bruk, Steven and Karen Bruk, Emily Bruk, Adele Paulsen, Nick Sereda, Ron Crimeni, Darrel Crimeni, Adrian Crimeni, Zena Weston, Iris Hickey, Jeffrey Mah, Jeff Giddens, Jeff Day, Lorne Johnson, Bonnie Mah, David and Florence Mazzucco, Marlene Derrah, Martin Mazzucco, Deborah Joel, Marshall Farris, Christopher Brough, Dickson Wong, Carlos Ceberio, Juraj Krajci, Robert Harris, Peter O'Donnell and Ron Balshine. The shares were issued to holders outside the United States pursuant to an exemption from registration provided by Section 4(2) under the Securities Act and an exclusion from registration provided by Regulation S under the Securities Act.

On May 27, 1998, the Company issued and additional 2,250,000 shares of common stock at a deemed price of \$0.001 per share in connection with the acquisition of ESL and M&M to the former stockholders of ESL and M&M. The shares were issued pursuant to an exemption from registration provided by Section 4(2) under the Securities Act and an exclusion from registration provided by Regulation S under the Securities Act.

In June 1998, the Company issued 136,500 shares of common stock to Tantum Ltd. at prices per share ranging from \$0.675 to \$0.80 for an aggregate purchase price of \$99,950. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On July 27, 1998, the Company issued 2,630 shares of common stock to Ryan and Erin Sawatzky at a price of per share of \$1.25 for an aggregate purchase price of \$3,288. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On August 28, 1998, the Company issued 66,666 shares of common stock to Tantum Ltd. at a price of per share of \$0.75 for an aggregate purchase price of \$50,000. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On December 14, 1998, the Company issued 25,000 shares of common stock to Lorne Reicher in exchange for cancellation of \$8,750 in debt owed by the Company. The deemed price of per share was \$2.86. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

In December 1998, the Company issued 123,880 shares of common stock to Tantum Ltd. at prices per share ranging from \$0.57 to \$1.57 for an aggregate purchase price of \$54,937.10. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On December 29, 1998 and December 30, 1998, the Company issued an aggregate of 93,500 shares of common stock to Jonathan Davies, Vaughn Barbon and Maggie Dodd in exchange for cancellation of an aggregate of \$62,900 in debt owed by the Company. The deemed price per share of \$0.672. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On January 12, 1999, the Company issued 35,211 shares of common stock to Tantum Ltd. at a price per share of \$0.71 for an aggregate purchase price of \$24,999.81. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On January 29, 1999, the Company issued 30,768 shares of common stock to Tantum Ltd. and Bingo, Inc. at a price per share of \$0.65 for an aggregate purchase price of \$19,999.20. The shares were issued to holders outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On January 29, 1999, the Company issued 6,541 shares of common stock to Marshall Farris at a price per share of \$0.733 for an aggregate purchase price of \$4,794.55. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

In February 1999 and March 1999, the Company issued an aggregate of 119,038 shares of common stock to Tantum Ltd. at prices per share ranging from \$0.59 to \$1.00 for an aggregate purchase price of \$85,998.98. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

In March 1999, the Company issued an aggregate 700,000 shares of common stock to Bona Vista West Ltd. at prices per share ranging from \$0.83 to \$1.00 for an aggregate purchase price of \$575,000. The shares were issued pursuant to an exemption from registration provided by Rule 504 under the Securities Act.

On March 15, 1999, the Company issued an aggregate of 49,999 shares of common stock to Mark Bruk, Marshall Farris and Zina Weston at a price per share of \$0.60 for an aggregate purchase price of \$29,999.40. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On March 31, 1999, the Company issued 5,294 shares of common stock to Vaughn Barbon at a price per share of \$0.567 for an aggregate purchase price of \$3,000.00. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On March 31, 1999, the Company issued 3,393 shares of common stock to Marshall Farris at a price per share of \$0.507 for an aggregate purchase price of \$1,719.48. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On May 21, 1999, the Company issued 102,669 shares of common stock to Re/Max Realty Investments Ltd. at a price per share of \$0.487 for an aggregate purchase price of \$49,999.80. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

On July 19, 1999, the Company issued 2,345 shares of common stock to Vaughn Barbon at a price per share of \$0.853 for an aggregate purchase price of \$2,700. The shares were issued to a holder outside the United States pursuant to an exclusion from registration under Regulation S under the Securities Act.

From October to November, 1999, the Company issued convertible notes in the aggregate amount of \$30,000 to Mark Bruk, Marshall Farris and Zina Weston. The notes bore interest at 25% for the first 90 days and 10% thereafter. At the option of the holder(s) the loan was convertible into common shares of the Company at a conversion rate of (i) \$0.60 per share for the accrued interest portion only or (ii) \$0.50 per share for the principal and accrued interest. On March 15, 1999 49,999 shares of common stock at \$0.60 per share were issued to Mark Bruk (25,000), Marshall Farris (16,666) and Zina Weston (8,333) in payment of outstanding interest on these notes. The Notes were issued pursuant to an exclusion from registration under Regulation S under the Securities Act. As of August 27, 1999, the outstanding principal amount of the notes has been paid in full.

From July 1998 to June, 1999, the Company issued non-interest bearing notes with no specific terms of repayment in the aggregate amount of \$95,000. The notes were issued pursuant to an exclusion from registration under Regulation S under the Securities Act. As of August 27, 1999, the outstanding principal amount of the notes has been paid in full.

Since May 1998, the Company has issued an aggregate of 1,477,500 options to purchase its common stock, with exercise prices ranging from \$0.68 to \$5.50 per share, to employees, directors, advisors and service providers under its 1998 Stock Option Plan and its 1998 Directors Stock Option Plan. Of these options, none have been cancelled without being exercised, options for no shares have been exercised and all options remain outstanding. The issuance of these options and the underlying shares were exempt from registration under Rule 701 under the Securities Act.

ITEM 5 INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Nevada General Corporation Law (the "Nevada Act") authorizes Nevada corporations to indemnify any person who was or is a party to any proceeding (other than an action by, or in the right of, the corporation), by reason of the fact that he or she is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation or other entity, against liability incurred in connection with such proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. In the case of an action by or on behalf of a corporation, indemnification may not be made if the person seeking indemnification is adjudged liable, unless the court in which such action was brought determines such person is fairly and reasonably entitled to indemnification. The indemnification provisions of the Nevada Act require indemnification if a director or officer has been successful on the merits or otherwise in defense of any action, suit, or proceeding to which he or she was a party by reason of the fact that he or she is or was a director or officer of the corporation. The indemnification authorized under Nevada law is not exclusive and is in addition to any other rights granted to officers and directors under the Articles of Incorporation or Bylaws of a corporation or any agreement between officers and directors and a corporation. A corporation may purchase and maintain insurance or furnish similar protection on behalf of any officer or director against any liability asserted against the officer or director and incurred by the officer or director in such capacity, or arising out of the status, as an officer or director, whether or not the corporation would have the power to indemnify him or her against such liability under the Nevada Act.

Inssofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling the Company pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

PART F/S

The report and financial statements of the Company for the year ended December 31, 1998 reported on by Ernst & Young, LLP, and the unaudited financial statements for the period ended June 30, 1999 are attached hereto. The financial statements were prepared in accordance with generally accepted accounting principles in United States and are presented in United States dollars.

CONSOLIDATED FINANCIAL STATEMENTS

EDUVERSE.COM
(formerly Perfect Future, Ltd.)

December 31, 1998

INDEPENDENT AUDITORS' REPORT

To the Directors of
Eduverse.Com

We have audited the accompanying consolidated balance sheet of Eduverse.Com as of December 31, 1998, and the related consolidated statement of operations and deficit, stockholders' equity and cash flows for the period from the date of incorporation on May 5, 1998 to December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eduverse.Com as of December 31, 1998 and the results of its operations and its cash flows for the period from the date of incorporation on May 5, 1998 to December 31, 1998, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP
Vancouver, Canada,
May 25, 1999.

Chartered Accountants

CONSOLIDATED BALANCE SHEET

(Expressed in U.S. dollars)

December 31, 1998
\$

ASSETS	
Current	
Cash	37,757
Accounts receivable, less allowance of \$nil [note 3]	18,477
Finished goods inventory	44,421
Prepaid expenses	5,651

Total current assets	106,306
Capital assets, net [note 4]	31,774
Deferred charge, net of accumulated amortization of \$52,000 [note 5]	159,800

	297,880

LIABILITIES AND STOCKHOLDERS' EQUITY	
Current	
Accounts payable [notes 6 and 11]	102,778
Capital lease obligations	7,041
Loans payable [note 8]	78,685
Current portion of royalty payable [note 5]	29,400
Unearned revenue	20,138

Total current liabilities	238,042
Royalty payable [note 5]	130,400

	368,442

Commitment [note 5]	
Stockholders' equity	
Share capital [note 9]	
Common stock - \$0.001 par value	
50,000,000 authorized, 11,607,046 issued and outstanding	11,607
Preferred stock - \$0.001 par value	-
5,000,000 authorized, nil issued and outstanding	-
Shares to be issued [note 11]	46,747
Additional paid in capital	286,127
Cumulative translation adjustment	1,673
Deficit	(416,716)

Total stockholders' equity	(70,562)

	297,880

See accompanying notes

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF OPERATIONS
AND DEFICIT

(Expressed in U.S. dollars)

For the Period From Date of
Incorporation on May 5, 1998
to December 31, 1998
\$

REVENUE [note 3]	
Software sales	14,824

Cost of goods sold	(6,873)

	7,951

EXPENSES	
Amortization of deferred charge	52,000
Depreciation	4,205
General and administration [note 7]	207,644
Marketing	57,485
Research and development	103,333

	424,667

Net loss	(416,716)

Deficit, beginning of period	--

Deficit, end of period	(416,716)

Comprehensive loss	
Net loss	(416,716)
Foreign currency translation	1,673

Comprehensive loss	415,043

Basic and fully diluted loss per share [note 9]	(0.04)

Weighted average number of shares	9,512,400

See accompanying notes

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the period from date of incorporation on May 5, 1998 to December 31, 1998

(Expressed in U.S. dollars)

	Common stock		Shares to be issued \$	Additional paid in capital \$	Cumulative translation adjustment \$	Accumulated deficit \$	Total \$
	Number of shares #	Amount \$					
Shares issued upon incorporation	9,000,000	9,000	--	10,560	--	--	19,560
Additional shares issued as a result of the reverse acquisition [note 9]	2,250,000	2,250	--	(2,249)	--	--	1
Issuance of common stock	357,046	357	--	229,816	--	--	230,173
Common stock to be issued [note 11]	90,171	--	46,747	--	--	--	46,747
Stock based compensation	--	--	--	48,000	--	--	48,000
Loss for year	--	--	--	--	--	(416,716)	(416,716)
Cumulative translation adjustment	--	--	--	--	1,673	--	1,673
Balance, December 31, 1998	11,697,217	11,607	46,747	286,127	1,673	(416,716)	(70,562)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in U.S. dollars)

Nine Month Period Ended
December 31, 1998
\$

OPERATING ACTIVITIES

Net loss	(416,716)
Adjustment to reconcile net loss to net cash used in operating activities:	
Common shares issued for services rendered	16,748
Amortization of deferred charge	52,000
Depreciation	4,205
Stock based compensation	48,000
Changes in non-cash working capital items:	
Accounts receivable	(18,477)
Finished goods inventory	(44,421)
Prepaid expenses	(5,651)
Accounts payable	102,778
Unearned revenue	20,138
-----	-----
Net cash used in operating activities	(241,396)
-----	-----

FINANCING ACTIVITIES

Increase in loans payable	78,685
Payments under capital lease obligations	(8,640)
Issuance of common stock	197,733
Cash received on common stock to be issued	30,000
-----	-----
Net cash provided by financing activities	297,778
-----	-----

INVESTING ACTIVITIES

Purchase of capital assets	(20,298)
-----	-----
Net cash used in investing activities	(20,298)
-----	-----
Effect of foreign exchange rate changes on cash	1,673
Net increase in cash	37,757
Cash, beginning of period	--
-----	-----
Cash, end of period	37,757
-----	-----

See accompanying notes

1. NATURE OF BUSINESS AND REVERSE ACQUISITION

Eduverse.Com. (the "Company") was incorporated on October 22, 1991, under the laws of the State of Nevada, as Ward's Futura Automotive, Ltd. The Company's name was subsequently changed to Perfect Future, Ltd. On June 11, 1998 its name was changed to Eduverse Accelerated Learning Systems, Inc. and on May 19, 1999 to Eduverse.Com.

Pursuant to a series of transactions on May 28, 1998 and May 29, 1998, the Company acquired all of the issued and outstanding share capital of ESL Pro Systems Inc. ("ESL") and M&M Information and Marketing Services Inc. ("M&M"), both Nevada companies incorporated on May 5, 1998 and under common control. As a result of these acquisitions, the previous shareholders of ESL and M&M, as a group, owned more than 50% of the issued and outstanding voting shares of the Company. Consequently, this business combination has been accounted for as a reverse acquisition whereby ESL and M&M are deemed to have been combined, on a continuity of interests basis (book value), since their inception on May 5, 1998 and to have acquired the Company. Accordingly, these consolidated financial statements reflect the accounts of ESL & M&M since their inception at their historic net book values, and the accounts of the Company, comprising nominal net assets, at their estimated fair value at the time of the transaction.

The reverse acquisition transaction resulted in the acquisition of 2,000,000 common shares of ESL and 7,000,000 common shares of M&M for the issuance of 9,000,000 of the Company's common shares. The fair value of the net assets of the Company deemed acquired as a result of the reverse acquisition were ascribed a nominal value.

The Company is a technology-based company focused on developing and marketing interactive multimedia educational software products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Eduverse Accelerated Learning Systems (Canada) Inc. (British Columbia, Canada), incorporated July 9, 1998, ESL Pro Systems Inc. (Nevada) and M&M Information and Marketing Services Inc. (Nevada). All significant intercompany accounts and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Finished goods inventory

Finished goods inventory is valued at the lower of weighted average cost and net realizable value.

Capital assets

Capital assets are recorded at cost and are being depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and office equipment	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Leases

Leases which transfer substantially all the benefits and risks of ownership of the leased property are accounted for as capital leases whereby the property is recorded as an asset and the obligation incurred is recorded as a liability. Under this method of accounting for leases, the asset is depreciated over its estimated useful life and the obligation, including interest thereon, is amortized over the life of the lease.

Financial instruments

The fair values of the financial instruments consisting of cash, accounts receivable, accounts payable, capital lease obligations, loans and royalties payable, approximates their carrying values in the financial statements unless otherwise indicated.

Advertising costs

Advertising costs are expensed as incurred.

Deferred charge

The deferred charge represents a license fee for the use of software and is being amortized on a straight-line basis over the three year minimum term of the license agreement.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between financial statement and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance in respect of amounts considered by management to be less likely than not of realization in future periods.

Research and development

Research and development costs are expensed in the period incurred.

Stock-based compensation

The Company accounts for stock-based compensation based on the provision of Accounting Principles Board Opinion No. 25 whereby the intrinsic value of options granted is recorded at the measurement date. The Company has elected to only disclose the effects of the fair value method of accounting for stock options prescribed by Statement of Financial Accounting Standards ("SFAS") No. 123.

Computation of loss per share

Basic loss per share is computed by dividing the loss attributable to common stockholders by the weighted average number of common shares outstanding for that period. Diluted loss per share is computed giving effect to all dilutive potential common shares that were outstanding during the period. As at December 31, 1998, the diluted loss per share is equivalent to the basic loss per share since the Company is in a loss position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Foreign currency translation

The functional currency of the Company is the Canadian dollar, while the reporting currency is the U.S. dollar. Under this method assets and liabilities, expressed in foreign currencies, are translated at the rate of exchange prevailing at the balance sheet date. Revenue and expense accounts are translated at the average exchange rate for the year.

Gains and losses arising on foreign currency translation are recorded in stockholders' equity as an adjustment to the cumulative translation account.

Revenue recognition and unearned revenue

Revenue from the sale of software products is recognized at the time products are shipped to customers.

Recent pronouncements

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133 will be effective for the Company's December 31, 2001 year end. The Company has not determined the impact, if any, of these pronouncements on its consolidated financial statements.

3. MAJOR CUSTOMERS

For the year ended December 31, 1998, the majority of software sales were derived from one customer representing 36% of software sales. As at December 31, 1998 the aggregate accounts receivable balance relating to this customer was \$5,715.

4. CAPITAL ASSETS

	Cost \$	Accumulated depreciation \$	Net book value \$
1998			
Computer equipment	28,230	3,430	24,800
Furniture and office equipment	7,749	775	6,974
	35,979	4,205	31,774

Computer equipment under capital leases have a cost of \$15,681 and related accumulated depreciation of \$2,348.

5. DEFERRED CHARGE

On May 7, 1998, the Company, entered into a license agreement with Boswell International Technologies Ltd. to acquire certain rights to developed software. Pursuant to the license agreement, the Company is required to make certain minimum annual royalty payments and may be required to pay additional amounts based on sales levels for a minimum period of 3 years. Accordingly, the Company has recorded a liability and deferred charge equal to the minimum royalty payable of \$211,800 (Cdn \$325,000).

5. DEFERRED CHARGE (cont'd.)

The minimum amounts repayable over the next three years are as follows:

	\$

1999	29,400
2000	81,500
2001	48,900

	159,800

During the year, the Company issued 80,000 common shares to settle \$52,000 of royalties due.

6. ACCOUNTS PAYABLE

	1998
	\$

Trade accounts	83,055
Employee compensation	19,723

	102,778

7. RELATED PARTY TRANSACTIONS

General and administration expenses includes consulting fees of \$57,467 paid to officers of the Company during the period.

8. LOANS PAYABLE

	1998
	\$

Stockholder Loan	48,685
Inventory Loan	15,000
Third Party Loan	15,000

	78,685

The Stockholder Loan, due to a stockholder who is also an officer of the Company, and the Third Party Loan are non-interest bearing and have no specific terms of repayment.

The Inventory Loan bears interest at 25% for the first 90 days and 10% thereafter. At the option of the holder the loan may be converted into common shares of the Company at a conversion rate of (i) \$0.60 per share for the accrued interest portion only or (ii) \$0.50 per share for the principal and accrued interest.

9. SHARE CAPITAL

[a] Authorized

The authorized capital of the Company consists of 50,000,000 common shares with \$0.001 par value and 5,000,000 preferred shares with \$0.001 par value.

[b] Issued and outstanding

	Number of Shares #	Amount \$

Shares of ESL and M&M issued on incorporation May 5, 1998 (2,000,000 and 7,000,000 respectively)	9,000,000	9,000
Additional shares issued as a result of the reverse acquisition	2,250,000	2,250
Shares issued for cash pursuant to subscription agreements	277,046	277
Shares issued for settlement of royalty payable [note 5]	80,000	80

Balance, December 31, 1998	11,607,046	11,607

During the period, the Company issued 277,046 common shares pursuant to subscription agreements at prices ranging from \$0.35 to \$1.25 per share for cash of \$178,173.

During the period, the Company issued common shares for consideration greater than the par value of \$0.001 per share. The excess of the consideration received over the par value of the shares issued in the amount of \$229,816 has been allocated to additional paid in capital.

[c] Stock options

During the period ended December 31, 1998, the stockholders approved the creation of an employee stock option plan (the "1998 Stock Option Plan") and a director stock option plan (the "1998 Directors' Stock Option Plan") pursuant to which the Company has reserved 1,500,000 and 150,000 common shares, respectively, for issuance.

Stock option transactions for the respective periods and the number of stock options outstanding are summarized below:

	Number of Optioned Common Shares #	Price Range \$

Options granted	1,262,500	\$0.68 - 0.75
Options cancelled and expired	--	--

Balance, December 31, 1998	1,262,500	\$0.68 - 0.75

The outstanding options at December 31, 1998 of 1,262,500 expire after 50 months from the date the option is granted, at various dates beginning August 3, 2002 and ending February 21, 2003.

During the period ended December 31, 1998 the Company repriced 400,000 and 362,500 stock options with exercise prices of \$1.50 and \$1.65 respectively, to \$0.68 and \$0.75 respectively.

Options granted vest in equal amounts at 2% per month. At December 31, 1998, 84,250 options were exercisable.

[d] The exercise price of certain stock options granted to employees and a consultant in the year were less than the market price of the underlying stock on the date of grant. Compensation expense of \$48,000 related to the options has been reflected in 1998. Had compensation expense been determined based on the fair value at the

9. SHARE CAPITAL (cont'd.)

grant dates for those options issued to employees and the consultant, consistent with the method described in SFAS No. 123, the Company's loss and loss per common share would have been increased to the pro forma amounts indicated below:

		1998
		\$

Loss	As reported	(416,716)
	Pro forma	(457,716)
Basic and diluted loss per common share	As reported	(0.04)
	Pro forma	(0.05)

The fair value of each option granted in 1998 was estimated at the date of grant using a Black-Scholes pricing model with the following weighted average assumptions: risk free interest rates of 5%; dividend yields of 0%; volatility factors of the expected market price of the Company's common stock of 1.1 and a weighted average expected life of the option of 3.7 years. The weighted-average fair value of options granted during the year was \$0.81.

[e] Stock purchase plan

During the period ended December 31, 1998, the stockholders approved the creation of an employee stock purchase plan pursuant to which the Company has reserved 500,000 common shares for issuance. The Plan allows participating employees, as defined in the Plan, to purchase common shares of the Company through payroll deductions up to a maximum as determined by a formula described in the Plan. At December 31, 1998, no common shares have been purchased pursuant to the Plan.

10. INCOME TAXES

At December 31, 1998, the Company has a net operating loss for United States income tax purposes of approximately \$100,000 which will expire in 2018 if not utilized.

In addition, the Company has non-capital losses for Canadian income tax purposes of approximately \$210,000 which will expire in 2005.

Deferred income taxes reflect the net effects of temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has recognized a valuation allowance of \$153,000 equal to the deferred tax assets due to the uncertainty of realizing the benefits of the assets.

11. SUBSEQUENT EVENTS

The following events have occurred subsequent to December 31, 1998:

- [a] The Company issued 52,630 common shares for which proceeds of \$30,000 were received prior to December 31, 1998, and 37,541 for services rendered prior to December 31, 1998 at a deemed value of \$16,748. The \$16,748 was recorded as an expense at December 31, 1998.
- [b] Pursuant to subscription agreements, the Company issued 987,686 common shares for gross proceeds of \$756,000.
- [c] The Company issued 66,186 common shares for services rendered at a deemed value of \$39,195. Of this amount, \$4,875 was for services rendered prior to December 31, 1998 and is included in accounts payable.
- [d] The Company granted 215,000 stock options at various exercise prices ranging from \$1.06 to \$5.50. These options expire up to July 9, 2003.

CONSOLIDATED FINANCIAL STATEMENTS

eduverse.com

June 30, 1999
(unaudited)

CONSOLIDATED FINANCIAL STATEMENTS

The following historical financial data provided as of and for the six months ended June 30, 1999 have been derived from the Company's unaudited internal consolidated interim financial statements and have been prepared in accordance with United States generally accepted accounting principles. In the opinion of the Company's management, contained within the financial statements are all adjustments, which are necessary for a fair representation of the information pertaining to the Company's financial position as of June 30, 1999.

CONSOLIDATED BALANCE SHEET

As at June 30, 1999 (unaudited) (Expressed in U.S. dollars)

	30-Jun 1999 \$ (unaudited)

ASSETS	
Current	
Cash	331,733
Accounts receivable, less allowance of \$nil	120,702
Finished goods inventory	15,464

Total current assets	467,899
Capital assets, net [note 3]	50,732
Deferred charge, net of accumulated amortization of \$83,900	127,900

	646,531

LIABILITIES AND STOCKHOLDERS' EQUITY	
Current	
Accounts payable and accrued liabilities	57,331
Loans payable [note 5]	27,390
Current portion of royalty payable [note 6]	62,000

Total current liabilities	146,721
Royalty payable [note 6]	97,800

	244,521

Commitment [note 6]	
Stockholders' equity	
Share capital [note 7]	
Common Stock - \$0.001 par value	
50,000,000 authorized, 12,751,089 issued and outstanding	12,751
Preferred stock - \$0.001 par value	0
5,000,000 authorized, nil issued and outstanding	
Additional paid in capital	1,130,022
Cumulative translation adjustment	(2,026)
Deficit	(738,737)

Total stockholders' equity	402,010

	646,531

CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in U.S. dollars)

	Six Months Ended 30-Jun 1999 \$ (unaudited)	5-May-98 (date of incorporation) to 31-Dec 1998 \$ (audited)

REVENUE		
Software Sales [note 4]	95,497	14,824
Distribution royalties	40,644	0
Other Income [note 4]	96,945	0

Cost of goods sold	233,086 (35,923)	14,824 6,873

	197,163	7,951

EXPENSES		
Amortization of deferred charge	31,900	52,000
Depreciation	7,336	4,205
General and administration	216,185	207,644
Marketing	127,797	57,485
Research and development	135,966	103,333

	519,184	424,667

Loss for the period	(322,021)	(416,716)

Deficit beginning of period	(416,716)	0

Deficit end of period	(738,737)	(416,716)

Comprehensive loss		
Net loss	(738,737)	(416,716)
Foreign currency translation	(3,699)	1,673

Comprehensive loss	(740,436)	(415,043)

Basic and fully diluted loss per share	(0.06)	(0.04)

Weighted average number of shares	12,333,400	9,512,400

CONSOLIDATED STATEMENT OF CASH FLOW

(Expressed in U.S. dollars)

	Six months Ended 30-Jun 1999 \$ (unaudited)	5-May-98 (date of Incorporation) to Dec. 31 1998 \$ (audited)
<hr/>		
OPERATING ACTIVITIES		
Loss for the period	(322,021)	(416,716)
Adjustment to reconcile net loss to net cash used in operating activities:		
Common shares issued for services rendered	42,294	16,748
Amortization of deferred charge	31,900	52,000
Depreciation	7,336	4,205
Stock based compensation	0	48,000
Changes in non-cash working capital items:		
Accounts receivable	(102,225)	(18,477)
Finished goods inventory	28,957	(44,421)
Prepaid expenses	5,651	(5,651)
Accounts payable	(45,447)	102,778
Unearned revenue	(20,138)	20,138
<hr/>		
Net cash used in operating activities	(374,053)	(241,396)
<hr/>		
FINANCING ACTIVITIES		
Advances (repayments) of loans	(51,295)	78,685
Payments under capital lease obligations	(7,041)	(8,640)
Issuance of common stock	755,998	197,733
Cash received on common stock to be issued	0	30,000
<hr/>		
Net cash provided by financing activities	697,662	297,778
<hr/>		
INVESTING ACTIVITIES		
Purchase of capital assets	(26,294)	(20,298)
<hr/>		
Net cash used in investing activities	(26,294)	(20,298)
<hr/>		
Effect of foreign exchange rate changes on cash	(3,699)	1,673
<hr/>		
Net increase in cash	293,976	37,757
Cash, beginning of year	37,757	0
<hr/>		
Cash, end of the period	331,733	37,757
<hr/>		

1. BASIS OF PRESENTATION

The Company's consolidated financial statements for the period ended June 30, 1999 have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business for the foreseeable future. The Company incurred a loss of \$322,021 and cash outflows from operations of \$342,713 for the period ended June 30, 1999 and has incurred significant operating losses and cash outflows from operations in the period ended December 31, 1998. The ability of the Company to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. No assurances can be given that the Company will be successful in raising sufficient additional capital. Further, there can be no assurance, assuming the Company successfully raises additional funds, that the Company will achieve positive cash flow. If the Company is unable to obtain adequate additional financing, management will be required to sharply curtail the Company's operating expenses. These financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Eduverse Accelerated Learning Systems (Canada) Inc. (British Columbia, Canada), ESL Pro Systems Inc. (Nevada) and M&M Information and Marketing Services Inc. (Nevada). All significant intercompany accounts and transactions have been eliminated.

Revenue recognition

Revenue from the sale of software products is recognized at the time products are shipped to customers. Distribution royalty revenue is recognized when the terms of the distribution agreement have been met. Consulting revenue is recognized at the time the consulting services have been rendered.

3. CAPITAL ASSETS

	Cost \$	Accumulated depreciation \$	Net book value \$

June 30, 1998			
Computer equipment	49,304	9,723	39,581
Furniture and office equipment	12,969	1,818	11,151
	-----	-----	-----
	62,273	11,541	50,732

4. MAJOR CUSTOMERS

For the six-month period ended June 30, 1999, major customers represented the following percentage of software sales and other income.

- (a) One customer represented 52% of software sales.
- (b) One customer represented 95% of other income.

5. LOANS PAYABLE

	1998 \$

Stockholder Loan	15,000
Third Party Loan	12,390

	27,390

These loans were non-interest bearing and have no specific terms of repayment.

These loans were repaid by August 20, 1999.

6. DEFERRED CHARGE

On May 7, 1998, the Company, entered into a license agreement with Boswell International Technologies Ltd. to acquire certain rights to developed software. Pursuant to the license agreement, the Company is required to make certain minimum annual royalty payments and may be required to pay additional amounts based on sales levels for a minimum period of 3 years. Accordingly, the Company has recorded a liability and deferred charge equal to the minimum royalty payable of \$211,800 (Cdn \$325,000).

The minimum amounts repayable over the next three years to June 30 are as follows:

	\$
2000	62,000
2001	97,800
	159,800

7. SHARE CAPITAL

(a) Authorized

The authorized capital of the Company consists of 50,000,000 common shares with \$0.001 par value, and 5,000,000 preferred shares with a par value of \$0.001.

(b) Issued and outstanding

Common Shares	Number of Shares #	Amount \$
Balance, December 31, 1998	11,607,046	11,607
Issued for cash pursuant to subscription agreements	1,071,316	1,071
Issued for services rendered	72,727	73
Balance, June 30, 1999	12,751,089	12,751

During the period, the Company issued 1,071,316 common shares pursuant to subscription agreements at prices ranging from \$0.48 to \$1.00 per share for cash of \$755,998.

The Company also issued 72,727 common shares for services rendered at a deemed value of \$42,294. These shares were issued at prices between \$0.50 to \$0.73 per share.

(c) Stock Options

The Board of Directors and shareholders amended the Stock Option Plan on May 30, 1999 and again on June 30, 1999. The maximum number of shares reserved for issuance pursuant to the Stock Option Plan has increased from 1,500,000 common shares to 2,500,000 common shares. As of June 30, 1999 a total of 1,477,500 options are issued and unexercised.

Stock option transactions for the period ended June 30, 1999 and the number of stock options outstanding are summarized below:

	Number of Optioned Common Shares #	Price Range \$
Options granted as of December 31, 1998	1,262,500	\$0.68 - \$0.75
Options granted between January 1, 1999 - June 30, 1999	215,000	\$1.00 - \$5.50
Balance, June 30, 1999	1,477,500	\$0.68 - \$5.50

The outstanding options expire at various dates beginning August 3, 2002 and ending May 12, 2003.

PART III

ITEM 1 INDEX TO EXHIBITS

(a) Financial Statements

The following financial statements and related schedules are included in this Item:

Auditors' Report;

Balance Sheets as at December 31, 1998 and June 30, 1999;

Combined Statements of Operation and Deficit for the nine-month period ended December 31, 1998, and six months ended June 30, 1999; and

Notes to Financial Statements.

(b) Exhibits

Exhibit Number -----	Description -----
2.1	Articles of Incorporation of the Registrant, as amended
2.2	Bylaws of the Registrant
3.1	Form of Common Stock share certificate
6.1	1998 Stock Option Plan, as amended
6.2	1998 Directors Stock Option Plan, as amended
6.3	1998 Employee Stock Purchase Plan
6.4	Form of Stock Option Agreement (1998 Stock Option Plan)
6.5	Form of Stock Option Agreement (1998 Director's Stock Option Plan)
6.6	Form of Subscription Agreement (1998 Employee Stock Purchase Plan)
6.7	Form of Affiliate Program Agreement
6.8	Form of Confidentiality and Non-Competition Agreement
6.9	freeENGLISH Non-Exclusive Linking Agreement dated May 20, 1999 between the Registrant and the Ministry of University Affairs (Thailand)
6.10	Memorandum of Understanding between EDUVERSE Accelerated Learning Systems (Canada), Inc. and the Ministry of University Affairs (Thailand)
6.11	Manufacturer's Representation Agreement dated March 1, 1999 between the Registrant and Tri Synergy, Inc.
6.12	Software License Agreement dated May 7, 1998 by and among the Registrant, Boswell International Technologies Ltd. And Boswell Industries Inc.

Exhibit Number	Description
-----	-----
6.13	Employment Agreement effective May 3, 1999 between EDUVERSE Accelerated Learning Systems (Canada) Inc. and Marc Crimeni
6.14	Employment Agreement effective May 3, 1999 between EDUVERSE Accelerated Learning Systems (Canada) Inc. and Robert Harris
6.15	Employment Agreement effective May 3, 1999 between EDUVERSE Accelerated Learning Systems (Canada) Inc. and Jeffery Mah
6.16	Employment Agreement effective May 3, 1999 between EDUVERSE Accelerated Learning Systems (Canada) Inc. and Lorne Reicher
8.1	Stock Exchange Agreement and Plan of Reorganization dated May 28, 1998 between the Registrant and ESL Pro Systems Inc.
8.2	Stock Exchange Agreement and Plan of Reorganization dated May 29, 1998 between the Registrant and Marketing Services Inc.
27.1	Financial Data Schedule

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Company has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized.

EDUVERSE.COM

Date: September 3, 1999

By /s/ Mark Bruk

Mark Bruk
President, Chief Executive Officer

Exhibit Number -----	Description -----	Sequentially Number Page -----
2.1	Articles of Incorporation of the Registrant, as amended	
2.2	Bylaws of the Registrant	
3.1	Form of Common Stock share certificate	
6.1	1998 Stock Option Plan, as amended	
6.2	1998 Directors Stock Option Plan, as amended	
6.3	1998 Employee Stock Purchase Plan	
6.4	Form of Stock Option Agreement (1998 Stock Option Plan)	
6.5	Form of Stock Option Agreement (1998 Director's Stock Option Plan)	
6.6	Form of Subscription Agreement (1998 Employee Stock Purchase Plan)	
6.7	Form of Affiliate Program Agreement	
6.8	Form of Confidentiality and Non-Competition Agreement	
6.9	freeENGLISH Non-Exclusive Linking Agreement dated May 20, 1999 between the Registrant and the Ministry of University Affairs (Thailand)	
6.10	Memorandum of Understanding between EDUVERSE Accelerated Learning Systems (Canada), Inc. and the Ministry of University Affairs (Thailand)	
6.11	Software License Agreement dated May 7, 1998 by and among the Registrant, Boswell International Technologies Ltd. and Boswell Industries Inc.	
6.12	Employment Agreement effective May 3, 1999 between EDUVERSE Accelerated Learning Systems (Canada) Inc. and Marc Crimeni	
6.13	Employment Agreement effective May 3, 1999 between EDUVERSE Accelerated Learning Systems (Canada) Inc. and Robert Harris	
6.14	Employment Agreement effective May 3, 1999 between EDUVERSE Accelerated Learning Systems (Canada) Inc. and Jeffery Mah	

Exhibit Number	Description	Sequentially Number Page
-----	-----	-----
6.15	Employment Agreement effective May 3, 1999 between EDUVERSE Accelerated Learning Systems (Canada) Inc. and Lorne Reicher	
8.1	Stock Exchange Agreement and Plan of Reorganization dated May 28, 1998 between the Registrant and ESL Pro Systems Inc.	
8.2	Stock Exchange Agreement and Plan of Reorganization dated May 29, 1998 between the Registrant and Marketing Services Inc.	
27.1	Financial Data Schedule	

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

MAY 19, 1999

C9528-91
/s/ DEAN HELLER
DEAN HELLER, SECRETARY OF STATE

Certificate of Amendment to Articles of Incorporation
For Profit Nevada Corporations
(Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)
- Remit in Duplicate -

DEAN HELLER, SECRETARY OF STATE

- 1. Name of corporation: EDUVERSE Accelerated Learning Systems, Inc.
- 2. The articles have been amended as follows (provide article numbers, if available).

Article I

The name of the corporation (hereinafter called the Corporation) is EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

Article I is hereby amended to read as follows:

The name of the corporation (hereinafter called the Corporation) is amended to: EDUVERSE.COM

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation have voted in favor of the amendment is 7,571,134 (59.9%) of the 12,647,452 entitled to vote*:

4. Signatures:

/s/ Mark Bruk

President or Vice President
(acknowledgement required)

/s/ Robert Harris

Secretary or Asst. Secretary
(acknowledgement not required)

State of: British Columbia
County of: Vancouver
This instrument was acknowledged before me on
May 18, 1999, by
Mark Bruk (Name of Person)
as President
as designated to sign this certificate
of AMENDMENT TO ARTICLES
(name on behalf of whom instrument was executed)

/s/ Anthony K. Wooster

Notary-Public Signature

ANTHONY K. WOOSTER
BARRISTER & SOLICITOR
1000 - 1100 WEST GEORGIA ST.
VANCOUVER, B.C.
[Illegible]

* If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless of limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and remit the proper fees may cause this filing to be rejected.

CERTIFICATE OF AMENDMENT OF ARTICLES OF INCORPORATION
(After Issuance of Stock) Filed by:

PERFECT FUTURE LTD.
(Name of Corporation)

We the undersigned Mark E. Bruk, President and Robert Harris, Secretary of Perfect Future Ltd.

do hereby certify:

That the Board of Directors of said Corporation at a meeting duly convened, held on the 11th day of June, 1998, adopted a resolution to amend the original articles as follows:

Article I

The name of the corporation (hereinafter called the Corporation) is PERFECT FUTURE, LTD.

Article I is hereby amended to read as follows:

The name of the corporation (hereinafter called the Corporation) is amended to: EDUVERSE Accelerated Learning Systems, Inc.

The number of shares of the Corporation issued and outstanding and entitled to vote on an amendment to the Articles of Incorporation is ELEVEN MILLION TWO HUNDRED AND FIFTY THOUSAND (11,250,000) common \$0.001 par value stock, that the said change(s) and amendment have been consented to and approved by a majority vote of the stockholders holding at least a majority of each class of stock outstanding and entitled to vote thereon.

/s/ Mark Bruk

President

/s/ Robert Harris

Secretary

Province of British Columbia
County of Vancouver

On June 15, 1998, personally appeared before me, a Notary Public, Mark E. Bruk, who acknowledged that he executed the above instrument.

/s/ Kesho Ram Ditta

Signature of Notary

(NOTARY STAMP)

KESHO RAM DITTA
Barrister & Solicitor
1829 West Broadway
Vancouver, B.C. Canada
V6J 1Y5
Ph: (604) 733-6913

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

DEC 22, 1997

C9528-91
/s/ DEAN HELLER
DEAN HELLER, SECRETARY OF STATE

CERTIFICATE OF AMENDMENT OF ARTICLES OF INCORPORATION
(AFTER ISSUANCE OF STOCK)

Perfect Future, LTD.
Name of Corporation

We the undersigned Spencer Bradley Vice President and President or Vice
President Shaun Hadley of Perfect Future, Ltd. Secretary or Assistant
Secretary Name of Corporation

do hereby certify:

That the Board of Directors of said corporation at a meeting duly convened
and held on the 15th day of December, 1997, adopted a resolution to amend
the original articles as follows:

Article IV is hereby amended to read as follows:

The corporation is authorized to do a FORWARD SPLIT of the issued and
outstanding shares of two and one half for one. Making the total issued and
outsanding 2,250,000 two million two hundred and fifty thousand.

The number of shares of the corporation outstanding and entitled to vote on an
amendment to the Articles of Incorporation are 2,250,000 ; that the said
change(s) and amendment has been consented to and approved by a majority vote of
the stockholders holding at least a majority of each class of stock outstanding
and entitled to vote thereon.

/s/ Spencer Bradley

President or Vice President

/s/ Shaun Bradley

Secretary or Assistant Secretary

State of Nevada)
County of Clark) ss.
)

On 12/22/97, personally appeared before me, a Notary Public, Spencer
Bradley & Shaun Hadley (Names of persons appearing and signing document) who
acknowledged that they executed the above instrument.

/s/ Todd Fredlund

Signature of Notary

RECEIVED STAMP
DEC 22, 1997
SECRETARY OF STATE

OFFICIAL SEAL
TODD FREDLUND
NOTARY PUBLIC STATE OF NEVADA
CLARK COUNTY
MY COMMISSION EXPIRES: JULY 3, 2001

CERTIFICATE OF AMENDMENT OF ARTICLE OF INCORPORATION
(AFTER ISSUANCE OF STOCK)

Perfect Future, Ltd.
Name of Corporation

We the undersigned Donald Bradley and President or Vice President Hadley of Perfect Future, Ltd. Secretary or Assistant Secretary Name of Corporation do hereby certify:

That the Board of Directors of said corporation at a meeting duly convened and held on the 22nd day of April 1997, adopted a resolution to amend the original articles as follows:

Article IV is hereby amended to read as follows: The corporation is authorized to have two classes of stock:(1) Common ; (2) non voting preferred. The total amount of authorized shares is 50,000,000 common and 5,000,000 preferred, each class of which shall have a par value of \$0.001.

The number of shares of the corporation outstanding and entitled to vote on an amendment to the Articles of Incorporation are 900,000 , that the said change(s) and amendment has been consented to and approved by a majority vote of the stockholders holding at least a majority of each class of stock outstanding and entitled to vote thereon.

/s/ Donald Bradley

President or Vice President

/s/ Shaun Bradley

Secretary or Assistant Secretary

State of Nevada)
) ss.
County of Clark)

On April 29, 1997, personally appeared before me, a Notary Public, Donald C. Bradley & Shaun Hadley (Names of persons appearing and signing document) who acknowledged that they executed the above instrument.

CLAUDIA HILL
NOTARY PUBLIC - NEVADA
MY APPT. EXP. AUG. 26, 2000
NO. 92-4142-1

/s/ Claudia Hill

Signature of Notary

ARTICLES OF AMENDMENT
OF
PERFECT FUTURE, LTD.

The Articles of Amendment to the original Articles of Incorporation of WARD'S FUTURA AUTOMOTIVE, LTD. a Nevada corporation are set up as follows:

A. ARTICLE I -

The name of the corporation (hereinafter called the corporation) is PERFECT FUTURE, LTD.

AMENDMENT - ARTICLE I -

The name of the corporation is amended to: PERFECT FUTURE, LTD.

B. Article IV

The total amount of authorized shares is 50,000,000 having par value of .001.

AMENDMENT - ARTICLE IV

The total amount of authorized shares is 50,000,000 of common shares at a par of .001.

As of the date of the Special Meeting of Shareholders the Company had issued and outstanding TWO MILLION (2,000,000) shares of COMMON .001 par value stock, held by 30 shareholders all of which were entitled to vote on the proposed amendment.

AMENDMENT
TO
ARTICLE VI PERFECT FUTURE, LTD.

At the Special Stockholders Meeting held December 5, 1995, TWO MILLION SHARES voted in favor of the amendment and none (0) voted against the amendment.

Dated this 5th day of December 1995

/s/ Donald C. Bradley
----- President

/s/ Shaun Hadley
----- Secretary

STATE OF NEVADA

COUNTY OF CLARK

On December 5th, 1995 Donald C. Bradley, personally appeared before me a notary public, acknowledges that Donald C Bradley executed the above instrument.

Signature of Notary /s/ Kristina A. Heffner

NOTARY PUBLIC
STATE OF NEVADA
COUNTY OF CLARK
KRISTINA A. HEFFNER
My Appointment Expires Oct. 20, 1996

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

FILING FEE: \$175.00
RECEIPT # C26033
TAJ MAHAL, LTD.
5312 ITHACA
LAS VEGAS, NEVADA 89122

OCT 22, ----

C9528-91
/s/ Cheryl Lau
DEAN HELLER, SECRETARY OF STATE

ARTICLES OF INCORPORATION

OF

WARD'S FUTURA ATOMOTIVE, LTD.

KNOW ALL MEN BY THESE PRESENTS:

We, the undersigned, natural persons of the age of 21 years, or more, acting as incorporators of a corporation under the Nevada Business Corporation Act, adopt the following Articles of Incorporation for such corporation:

ARTICLE I - NAME

The name of he Corporation shall be WARD'S FUTURA ATOMOTIVE, LTD.

ARTICLE II - DURATION

The period of its duration shall be perpetual unless dissolved or terminated according to law.

ARTICLE III - CORPORATE PURPOSES

The general purposes and objects for which the corporation is organized are to engage primarily in any type of manufacturing of automobiles, and /or marketing of automobiles or, automotive related products both retail and wholesale. Realstate unimproved or improved, land development, and/or investment in real property or real estate related endeavors. To engage in any business, investment or other pursuit or activity, whether retail or wholesale, whether commercial or industrial; and to perform any and all other lawful acts or purposes as are or may be granted to corporate entities under the laws of the State of Nevada and by any other state or foreign country. The corporation may conduct its business anywhere within the States of the United States of America or in any foreign country, without in any way limiting the foregoing powers. It is hereby provided that the corporation shall have the power to do any and all acts and things that may be reasonably necessary or appropriate to accomplish any of the foregoing purposes for which the corporation is formed.

ARTICLE IV - SHARES OF STOCK

The aggregate number of shares which the corporation shall have authority to issue is 50,000,000 shares of common stock at par value of \$0.001 per share, or a total capitalization of \$50,000.00

There shall be no cumulative voting, and all pre-emptive rights are denied. Each share shall entitle the holder thereof to one vote at all meetings of the stockholders.

Stockholders shall not be liable to the corporation or its creditors for any debts or obligations of the corporation.

ARTICLE V - STOCK RESTRICTIONS

All shares of stock in the company are assignable and any stockholder may sell, assign and transfer his shares and certificates of stock at pleasure except that no such transfer, sale or assignment shall be valid unless and until it shall have been entered upon the books of the company and the old certificate or certificates shall have been surrendered for cancellation to the secretary and a new certificate or certificates issued in lieu of the same.

ARTICLE VI - COMMENCING BUSINESS

The corporation will not commence business until consideration of the value of at least One Thousand Dollars (1,000.00) has been received for the issuance of shares.

ARTICLE VII - REGISTERED AGENT AND OFFICE

The name and post office address of its initial registered agent is Donald C. Bradley, 5312 Ithaca, Las Vegas, NV. 89122

ARTICLE VIII - DIRECTORS

That the number of directors of this corporation, their qualifications, terms of office and the time and manner of their election, removal and resignation shall be as follows:

The number of directors shall not be less than two (2) nor more than seven (7), the exact number within such limits to be determined in the manner prescribed by the by-laws.

Directors shall be elected at the annual meeting of the stock holders of this corporation and shall serve for one (1) year and until their successors shall have been duly elected and qualified.

A majority of the entire number of directors, but not less than (2), shall be necessary to form a quorum of the board of directors, authorized to transact the business and exercise the corporate powers of the corporation.

Such officers shall consist of:

(a) President;

(b) One or more Vice Presidents as shall be provided by the by-laws or the board of directors;

(c) A Secretary; and,

(d) A Treasurer - may be held by officers who concurrently hold another office.

Such officers shall be elected annually by the board of directors and shall serve for one (1) year and until their successors shall have been duly elected and qualified.

Any officer may be removed by vote of a majority of the board of directors or in such other manner as may be prescribed in the by-laws.

ARTICLE IX

That the following named person, parties hereto, shall be the directors and officers of this corporation from the date hereof and until their successors shall have been elected and qualified:

PRESIDENT & DIRECTOR:

DONALD C. BRADLEY
5312 ITHACA,
LAS VEGAS, NV 89122

VICE PRESIDENT & DIRECTOR:

SECRETARY/TREASURER & DIRECTOR:

SHIRLENE BRADLEY
5312 ITHACA
LAS VEGAS, NV 89122

ARTICLE X - SHAREHOLDER LIABILITY

That the private property of the stockholders of this corporation shall not be liable for the debts or obligations of the corporation.

ARTICLE XI - INCORPORATORS

The name and address of each incorporator is:

DONALD C. BRADLEY
5312 ITHACA
LAS VEGAS, NV 89122

SHIRLENE BRADLEY
5312 ITHACA
LAS VEGAS, NV 98122

ARTICLE XII - 1244 STOCK

Shares of stock of this corporation authorized and issued pursuant to these Articles of Incorporation within two (2) years from the date of incorporation are, for the purpose of the Internal Revenue Code, authorized and issued in compliance with and as prescribed by Section 1244 of the Internal Revenue Code of 1954, as amended shall be known as "Section 1244 Stock."

ARTICLE XIII - DIRECTORS' AND OFFICERS' CONTRACTS

No contract or other transaction between this corporation and one or more of its directors or any other corporation, firm, association or entity in which one or more of its directors are directors or officers are financially interested shall be either void or voidable because of such relationship or interest, or because such director or directors are present at the meeting of the board of directors or a committee thereof, which authorizes, approves or ratifies such contracts or transaction, or because his or their votes are counted for such purpose, if: (a) the fact of such relationship or interest is disclosed or known to the board of directors or committee which authorizes, approves or ratifies the contract or transaction by vote or consent sufficient for the purpose without counting the votes or consents of such interested director; or (b) the fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve or ratify such contract or transaction by vote or written consent; or, (c) the contract or transaction is fair and reasonable to the corporation. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or committee thereof which authorizes, approves or ratifies such contract or transaction.

INCORPORATORS

STATE OF NEVADA)
:)
COUNTY OF CLARK)

On October 21, 1991, personally appeared before me, Donald C. Bradley and Shirlene Bradley, who being duly sworn by me first, declared that he had read the foregoing Articles of Incorporation, that he had signed the foregoing document as an incorporator and that the statements contained therein are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this day of October , 1991.

/s/ Donald C. Bradley

Donald C. Bradley

/s/ Shirlene Bradley

Shirlene Bradley

/s/ O Chase

Notary Public

My Commission Expires:
2-4-95

I, Donald C. Bradley acting as registered Agent, in the State of Nevada and living in Clark County, Nevada, do hereby accept the full legal responsibility as Agent for the corporation, registered under the name of Ward's Futura Atomotive, LTD. who's address is, 5312 Ithaca, Las Vegas, NV. 89122.

/s/ Donald C. Bradley

Donald C. Bradley

STATE OF NEVADA)
:)
COUNTY OF CLARK)

SUBSCRIBED AND SWORN to before me this 21st day of October, 1991.

/s/ O Chase

Notary Public
Residing in Las Vegas, Nevada

My Commission Expires: 2-4-95

AMENDED BY-LAWS

OF

EDUVERSE.COM

ARTICLE I

MEETING OF STOCKHOLDERS

SECTION 1. The annual meeting of the stockholders of the Company shall be held at its office in the City of Reno, Washoe County, State of Nevada at 6:00 o'clock in the P.M. on the 1st day of November in each year, if not a legal holiday, and if a legal holiday, then on the next succeeding day not a legal holiday, for the purpose of electing directors of the Company to serve during the ensuing year and for the transaction of such other business as may be brought before the meeting.

At least five (5) days' written notice specifying the time and place, when and where, the annual meeting shall be convened, shall be mailed in a United States Post Office addressed to each of the stockholders of record at the time of issuing the notice at his or her, or its address last known, as the same appears on the books of the Company.

SECTION 2. Special meetings of the stockholders may be held at the office of the Company in the State of Nevada, or elsewhere, whenever called by the President, or by the Board of Directors, of by vote of, or by an instrument in writing signed by the holders of fifty-two percent (52%) of the issued and outstanding capital stock of the Company. At least ten (10) days' written notice of such meeting, specifying the day and hour and place, when and where such meeting shall be convened, and objects for calling the same, shall be mailed in a United States Post Office, addressed to each of the stockholders of record at the time of issuing the notice, at his or her or its address last known, as the same appears on the books of the Company.

SECTION 3. If all the stockholders of the Company shall waive notice of a meeting, no notice of such meeting shall be required, and whenever all of the stockholders shall meet in person or by proxy, such meeting shall be valid for all purposes without call or notice, and at such meeting any corporate action may be taken.

The written certificate of the officer or officers calling any meeting setting forth the substance of the notice, any the time and place of the

mailing of the same to the several stockholders, and the respective addresses to which the same were mailed, shall be prima facie evidence of the manner and fact of the calling and giving such notice.

If the address of any stockholder does not appear upon the books of the Company, it will be sufficient to address any notice to such stockholder at the principal office of the Company.

SECTION 4. All business lawful to be transacted by the stockholders of the Company may be transacted at any special meeting or at any adjournment thereof. Only such business, however, shall be acted upon at special meeting of the stockholders as shall have been referred to in the notice calling such meeting, but at any stockholders' meeting at which all of the outstanding capital stock of the Company is represented, either in person or by proxy, any lawful business may be transacted, and such meeting shall be valid for all purposes.

SECTION 5. At the stockholders' meetings the holders of fifty-two percent (52%) in amount of the entire issued and outstanding capital stock of the Company, shall constitute a quorum for all purposes of such meetings.

If the holders of the amount of stock necessary to constitute a quorum shall fail to attend, in person or by proxy, at the time and place fixed by these By-Laws for any annual meeting, or fixed by a notice as above provided for a special meeting, a majority in interest of the stockholders present in person or by proxy may adjourn from time to time without notice other than by announcement at the meeting, until holders of the amount of stock requisite to constitute a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted as originally called.

SECTION 6. At each meeting of the stockholders every stockholder shall be entitled to vote in person or by his duly authorized proxy appointed by instrument in writing subscribed by such stockholder or by his duly authorized attorney. Each stockholder shall have one vote for each share of stock standing registered in his or her or its name on the books of the Company, ten (10) days preceding the day of such meeting. The votes for directors, and upon demand by any stockholder, the votes upon any question before the meeting, shall be viva voce.

At each meeting of the stockholders, a full, true and complete list, in alphabetical order, of all the stockholders entitled to vote at such meeting, and indicating the number of shares held by each, certified by the Secretary of the Company, shall be furnished, which list shall be prepared at least ten (10) days before such meeting, and shall be open to

the inspection of the stockholders, or their agents or proxies, at the place where such meeting is to be held, and for ten (10) days prior thereto. Only the persons in whose names shares of stock are registered on the books of the Company for ten days preceding the date of such meeting, as evidenced by the list of stockholders, shall be entitled to vote at such meeting. Proxies and powers of Attorney to vote must be filed with the Secretary of the Company before an election or a meeting of the stockholders, or they cannot be used at such election or meeting.

SECTION 7. At each meeting of the stockholders the polls shall be opened and closed; the proxies and ballots issued, received, and be taken in charge of, for the purpose of the meeting, and all questions touching the qualifications of voters and the validity of proxies, and the acceptance or rejection of votes, shall be decided by two (2) inspectors. Such inspectors shall be appointed at the meeting by the presiding officer of the meeting.

SECTION 8. At the stockholders' meetings, the regular order of business shall be as follows:

1. Reading and approval of the Minutes of previous meeting or meetings;
2. Reports of the Board of Directors, the President, Treasurer and Secretary of the Company in the order named;
3. Reports of Committee;
4. Election of Directors;
5. Unfinished Business;
6. New Business;
7. Adjournment.

ARTICLE II

DIRECTORS AND THEIR MEETINGS

SECTION 1. The Board of Directors of the Company shall consist of two (2) to seven (7) persons who shall be chosen by the stockholders annually, at the annual meeting of the Company, and who shall hold office for one (1) year, and until their successors are elected and qualify.

SECTION 2. When any vacancy occurs among the Directors by death, resignation, disqualification or other cause, the stockholders, at any regular or special meeting, or at any adjourned meeting thereof, or the remaining Directors, by the affirmative vote of a majority thereof, shall elect a successor to hold office for the unexpired portion of the term of the Director whose place shall have become vacant and until his successor shall have been elected and shall qualify.

SECTION 3. Meetings of the Directors may be held at the principal office of the Company in the State of Nevada or elsewhere, at such place or places as the Board of Directors may, from time to time, determine.

SECTION 4. Without notice or call, the Board of Directors shall hold its first annual meeting for the year immediately after the annual meeting of the stockholders or immediately after the election of Directors at such annual meeting.

Regular meetings of the Board of Directors shall be held at the office of the Company in the City of Reno, Washoe County, State of Nevada at 6:00 o'clock in the P.M. on the 1st day of November in each year or where necessary. Notice of such regular meetings shall be mailed to each Director by the Secretary at least three (3) days previous to the day fixed for such meetings, but no regular meeting shall be held void or invalid if such notice is not given, provided the meeting is held at the time and place fixed by these By-Laws for holding such regular meetings.

Special meetings of the Board of Directors may be held on the call of the President or Secretary on at least three (3) days notice by mail or telegraph.

Any meeting of the Board of Directors, no matter where held, at which all of the members shall be present, even though without or of which notice shall have been waived by all absentees, provided a quorum shall be present, shall be valid for all purposes unless otherwise indicated in the notice calling the meeting or in the waiver of notice.

Any and all business may be transacted by any meeting of the Board of Directors, either regular or special.

SECTION 5. A majority of the Board of Directors in office shall constitute a quorum for the transaction of business, but if at any meeting of the Board of Directors there be less than a quorum present, a majority of those present may adjourn from time to time, until a quorum shall be present, and no notice of such adjournment shall be required. The Board of Directors may prescribe rules not in conflict with the By-Laws for the conduct of business; provided, however, that in the fixing of salaries of the officers of the Company, the unanimous action of all Directors shall be required.

SECTION 6. A Director need not be a stockholder of the Company.

SECTION 7. The Directors shall be allowed and paid all necessary expenses incurred in attending any meeting of the Board of Directors, but shall not receive any compensation for their services as Directors until such time as the Company is able to declare and pay dividends on its capital stock.

SECTION 8. The Board of Directors shall make a report to the stockholders at annual meetings of the stockholders of the condition of the Company, and shall, at request, furnish each of the stockholders with a true copy thereof.

The Board of Directors in its discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders called for the purpose of considering any such contract or act, which, if approved, or ratified by the vote of the holders of a majority of the capital stock of the Company represented in person or by proxy, shall be valid and binding upon the Company and upon all the stockholders thereof, as if it had been approved or ratified by every stockholder of the Company.

SECTION 9. The Board of Directors shall have the power from time to time to provide for the management of the offices of the Company in such manner as they see fit, and in particular from time to time to delegate any of the powers of the Board of Directors in the course of the current business of the Company to any standing or special committee or to any officer or agent and to appoint any persons to be agents of the Company with such powers (including the power to subdelegate), and upon such terms as may be deemed fit.

SECTION 10. The Board of Directors is invested with the complete and unrestrained authority in the management of all affairs of the Company,

and is authorized to exercise for such purpose as the General Agent of the Company, its entire corporate authority.

SECTION 11. The regular order of business at meetings of the Board of Directors shall be as follows:

1. Reading and approval of the Minutes of any previous meeting or meetings;
2. Reports of Officers and Committeemen;
3. Election of Officers;
4. Unfinished Business;
5. New Business;
6. Adjournment.

ARTICLE III

OFFICERS AND THEIR DUTIES

SECTION 1. The Board of Directors, at its first and after each meeting after the annual meeting of stockholders, shall elect a President, a Vice President, a Secretary and a Treasurer, to hold office for one (1) year next coming, and until their successors are elected and qualify. The offices of the Secretary and Treasurer may be held by one (1) person.

Any vacancy in any of said offices may be filled by the Board of Directors.

The Board of Directors may from time to time, by resolution, appoint such additional Vice Presidents and additional Assistant Secretaries, Assistant Treasurer and Transfer Agents of the Company as it may deem advisable; prescribe their duties, and fix their compensation, and all such appointed officers shall be subject to removal at any time by the Board of Directors. All officers, agents, and factors of the Company shall be chosen and appointed in such manner and shall hold their office for such terms as the Board of Directors may by resolution prescribe.

SECTION 2. The President shall be the executive officer of the Company and shall have the supervision and, subject to the control of the Board of Directors, the direction of the Company's affairs, with full power to execute all resolutions and orders of the Board of Directors not especially entrusted to some other officer of the Company. He shall be a member of the Executive Committee, and the Chairman thereof; he shall preside at all meetings of the Board of Directors, and at all meetings of the stockholders, and shall sign the Certificates of Stock issued by the Company, and shall perform such other duties as shall be prescribed by the Board of Directors.

All checks, draft and other instruments obligating the Company to pay money, and the withdrawal of funds on deposit, shall be executed on behalf of the Company by the President.

SECTION 3. The Vice President shall be vested with all the powers and perform all the duties of the President in his absence or inability to act, including the signing of the Certificates of Stock issued by the Company, and he shall so perform such other duties as shall be prescribed by the Board of Directors.

SECTION 4. The Treasurer shall have the custody of all the funds and securities of the Company. When necessary or proper he shall endorse on

behalf of the Company for collection checks, notes, and other obligations; he shall deposit all monies to the credit of the Company in such bank or banks or other depository as the Board of Directors may designate; he shall sign all receipts and vouchers for payments made by the Company, except as herein otherwise provided. He shall sign with the President all bills of exchange and promissory notes of the Company; he shall also have the care and custody of the stocks, bonds, certificates, vouchers, evidence of debts, securities, and such other property belonging to the Company as the Board of Directors shall designate; he shall sign all papers required by law or by those By-Laws or the Board of Directors to be signed by the Treasurer. Whenever required by the Board of Directors, he shall render a statements of his cash account; he shall enter regularly in the books of the Company to be kept by him for the purpose, full and accurate accounts of all monies received and paid by him on account of the Company. He shall at all reasonable times exhibit the books of account to any Directors of the Company during business hours, and he shall perform all acts incident to the position of Treasurer subject to the control of the Board of Directors.

The Treasurer shall, if required by the Board of Directors, give bond to the Company conditioned for the faithful performance of all his duties as Treasurer in such sum, and with such security as shall be approved by the Board of Directors, with expense of such bond to be borne by the Company.

SECTION 5. The Board of Directors may appoint an Assistant Treasurer who shall have such powers and perform such duties as may be prescribed for him by the Treasurer of the Company or by the Board of Directors, and the Board of Directors shall require the Assistant Treasurer to give a bond to the Company, in such sum and with such security as it shall approve, as conditioned for the faithful performance of his duties as Assistant Treasurer, the expense of such bond to be borne by the Company.

SECTION 6. The Secretary shall keep the Minutes of all meetings of the Board of Directors and the Minutes of all meetings of the stockholders and of the Executive Committee in books provided for that purpose. He shall attend to the giving and serving of all notices of the Company; he may sign with the President or Vice President, in the name of the Company, all contracts authorized by the Board of Directors or Executive Committee; he shall affix the corporate seal of the Company thereto when so authorized by the Board of Directors or Executive Committee; he shall have the custody of the corporate seal of the Company; he shall affix the corporate seal to all certificates of stock duly issued by the Company; he shall have charge of Stock Certificate Books, Transfer Books and Stock Ledgers, and such other books and papers as the Board of Directors or the

Executive Committee may direct, all of which shall at all reasonable times be open to the examination of any Director upon application at the office of the Company during business hours, and he shall, in general, perform all duties incident to the office of Secretary.

SECTION 7. The Board of Directors may appoint an Assistant Secretary who shall have such powers and perform such duties as may be prescribed for him by the Secretary of the Company or by the Board of Directors.

SECTION 8. Unless otherwise ordered by the Board of Directors, the President shall have full power and authority in behalf of the Company to attend and to act and to vote at any meetings of the stockholders of any corporation in which the Company may hold stock, and at any such meetings, shall possess and may exercise any and all rights and powers incident to the ownership of such stock, and which as the new owner thereof, the Company might have possessed and exercised if present. The Board of Directors, by resolution, from time to time, may confer like powers on any person or persons in place of the President to represent the Company for the purposes in this section mentioned.

ARTICLE IV

CAPITAL STOCK

SECTION 1. The capital stock of the Company shall be issued in such manner and at such times and upon such conditions as shall be prescribed by the Board of Directors.

The President is authorized to issue and sell shares of capital stock of the Company.

SECTION 2. Ownership of stock in the Company shall be evidenced by certificates of stock in such forms as shall be prescribed by the Board of Directors, and shall be under the seal of the Company and signed by the President or the Vice President and also by the Secretary or by an Assistant Secretary.

All certificates shall be consecutively numbered; the name of the person owning the shares represented thereby with the number of such shares and the dates of issue shall be entered on the Company's books.

No certificates shall be valid unless it is signed by the President or Vice President and by the Secretary or Assistant Secretary.

All certificates surrendered to the Company shall be cancelled and no new certificate shall be issued until the former certificate for the same number of shares shall have been surrendered or cancelled.

SECTION 3. No transfer of stock shall be valid as against the Company except on surrender and cancellation of the certificate therefor, accompanied by an assignment or transfer by the owner therefor, made either in person or under assignment, a new certificate shall be issued therefor.

Whenever any transfer shall be expressed as made for collateral security and not absolutely, the same shall be so expressed in the entry of said transfer on the books of the Company.

SECTION 4. The Board of Directors shall have power and authority to make all such rules and regulations not inconsistent herewith as it may deem expedient concerning the issue, transfer and registration of certificates for shares of the capital stock of the Company.

The Board of Directors may appoint a transfer agent and a registrar of transfers and may require all stock certificates to bear the signature of such transfer agent and such registrar of transfer.

SECTION 5. The Stock Transfer Books shall be closed for all meetings of the stockholders for the period of ten (10) days prior to such meetings and shall be closed for the payment of dividends during such periods as from time to time may be fixed by the Board of Directors, and during such periods no stock shall be transferable.

SECTION 6. Any person or persons applying for a certificate of stock in lieu of one alleged to have been lost or destroyed, shall make affidavit or affirmation of the fact, and shall deposit with the Company an affidavit. Whereupon, at the end of six (6) months after the deposit of said affidavit and upon such person or persons giving Bond of Indemnity to the Company with surety to be approved by the Board of Directors in double the current value of stock against damage, loss or inconvenience to the Company, which may or can arise in consequence of a new or duplicate certificate being issued in lieu of the one lost or missing, the Board of Directors may cause to be issued to such person or person a new certificate, or a duplicate of the certificate, or a duplicate of the certificate so lost or destroyed. The Board of Directors may, in its discretion refuse to issue such new or duplicate certificate save upon the order of some court having jurisdiction in such matter, anything herein to the contrary notwithstanding.

ARTICLE V

OFFICES AND BOOKS

SECTION 1. The principal office of the Company, in Reno, Washoe County, Nevada, shall be at Suite 209, 1135 Terminal Way, and the Company may have a principal office in any other state or territory as the Board of Directors may designate.

SECTION 2. The Stock and Transfer Books and a copy of the By-Laws and Articles of Incorporation of the Company shall be kept at its principal office in the City of Reno, Washoe County, State of Nevada, for the inspection of all who are authorized or have the right to see the same, and for the transfer of stock. All other books of the Company shall be kept at such places as may be prescribed by the Board of Directors.

ARTICLE VI

MISCELLANEOUS

SECTION 1. The Board of Directors shall have power to reserve over and above the capital stock paid in, such an amount in its discretion as it may deem advisable to fix as a reserve fund, and may, from time to time, declare dividends from the accumulated profits of the Company in excess of the amounts so reserved, and pay the same to the stockholders of the Company, and may also, if it deems the same advisable, declare stock dividends of the unissued capital stock of the Company.

SECTION 2. No agreement, contract or obligation (other than checks in payment of indebtedness incurred by authority of the Board of Directors) involving the payment of monies or the credit of the Company for more than one million dollars (\$1,000,000.00), shall be made without the authority of the Board of Directors, or of the Executive Committee acting as such.

SECTION 3. Unless otherwise ordered by the Board of Directors, all agreements and contracts shall be signed by the President and the Secretary in the name and on behalf of the Company, and shall have the corporate seal thereto attached.

SECTION 4. All monies of the Company shall be deposited when and as received by the Treasurer in such bank or banks or other depository as may from time to time be designated by the Board of Directors, and such deposits shall be made in the name of the Company.

SECTION 5. No note, draft, acceptance, endorsement or other evidence of indebtedness shall be valid or against the Company unless the same shall be signed by the President or a Vice President, and attested by the Secretary or an Assistant Secretary, or signed by the Treasurer or an Assistant Treasurer, and countersigned by the President, Vice President, or Secretary, except that the Treasurer or an Assistant Treasurer may, with countersignature, make endorsements for deposit to the credit of the Company in all its duly authorized depositories.

SECTION 6. No loan or advance of money shall be made by the Company to any stockholder or officer therein, unless the Board of Directors shall otherwise authorize.

SECTION 7. No Director nor Executive Officer of the Company shall be entitled to any salary or compensation for any services performed for the Company, unless such salary or compensation shall be fixed by resolution

of the Board of Directors, adopted by the unanimous vote of all the Directors voting in favor thereof.

SECTION 8. The Company may take, acquire, hold, mortgage, sell, or otherwise deal in stocks or bonds or securities of any other corporation, if and as often as the Board of Directors shall so elect.

SECTION 9. The Directors shall have power to authorize and cause to be executed, mortgages, and liens without limit as to amount upon the property and franchise of this Company, and pursuant to the affirmative vote, either in person or by proxy, of the holders of a majority of the capital stock issued and outstanding; the Directors shall have the authority to dispose in any manner of the whole property of this Company.

SECTION 10. The Company shall have a corporate seal, the design thereof being as follows:

eduverse.com

ARTICLE VII

AMENDMENT OF BY-LAWS

SECTION 1. Amendments and changes of these By-Laws may be made at any regular or special meeting of the Board of Directors by a vote of not less than all of the entire Board of Directors, or may be made by a vote of, or consent in writing signed by the holders of fifty-two percent (52%) of the issued and outstanding capital stock of the Company.

KNOW ALL MEN BY THESE PRESENTS: That we, the undersigned, being the directors of the above named Company, do hereby consent to the foregoing By-Laws and adopt the same as and for the By-Laws of said Company.

IN WITNESS WHEREOF, we have hereunto act our hand this

NOT VALID UNLESS COUNTERSIGNED BY TRANSFER AGENT
INCORPORATED UNDER THE LAWS OF THE STATE OF NEVADA

CUSIP NO. 281649 10 3

----- NUMBER -----	[EDUVERSE ACCELERATED LEARNING SYSTEMS, INC. LOGO]	----- SHARES -----
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EDUVERSE Accelerated Learning Systems, Inc.
AUTHORIZED COMMON STOCK: 50,000,000 SHARES * PAR VALUE: \$.001

SPECIMEN

THIS CERTIFIES THAT *****

IS THE RECORD HOLDER OF ***** SHARES

Shares of EDUVERSE ACCELERATED LEARNING SYSTEMS, INC. Common Stock

transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated: *****

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
CORPORATE SEAL
NEVADA

/s/ Mark Bruk

President

NOT VALID UNLESS COUNTERSIGNED BY TRANSFER AGENT

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

AMENDED 1998 STOCK OPTION PLAN

AS ADOPTED BY THE BOARD OF DIRECTORS ON MAY 30, 1999
AS APPROVED BY THE STOCKHOLDERS ON MAY 30, 1999

1. PURPOSE. This 1998 Stock Option Plan ("Plan") is established as a compensatory plan to attract, retain and provide equity incentives to selected persons to promote the financial success and progress of EDUVERSE Accelerated Learning Systems, Inc., a Nevada corporation, (the "Company"). Capitalized terms not previously defined herein are defined in Section 16 of this Plan.

2. TYPES OF OPTIONS AND SHARES. Options granted under this Plan (The "Options") may be either (a) incentive stock options ("ISOs") within the meaning of Section 422A of the Internal Revenue Code of 1986, as amended (the "Revenue Code"), or (b) nonqualified stock options ("NQSOs"), as designated at the time of grant. The shares of stock that may be purchased upon exercise of Options granted under this Plan (the "Shares") are shares of the common stock of the Company.

3. NUMBER OF SHARES. The aggregate number of Shares that may be issued pursuant to options granted under this Plan is 1,500,000 Shares, subject to adjustment as provided in this Plan. If any Option expires or is terminated without being exercised in whole or in part, the unexercised or released Shares from such Options shall be available for future grant and purchase under this Plan. At all times during the term of this Plan, the Company shall reserve and keep available such number of Shares as shall be required to satisfy the requirements of outstanding Options under this Plan.

4. ELIGIBILITY. Options may be granted to employees, consultants, officers, and directors who are employees of the Company, or any Parent, Subsidiary or Affiliate of the Company (jointly "Staff Members"). Directors who are not Staff Members of the Company are not eligible to participate in this Plan. ISOs may be granted only to Staff Members of the Company or a Parent or Subsidiary of the Company. The Committee (as defined in Section 13) in its sole discretion shall select the recipients of Options ("Optionees"). An Optionee may be granted more than one Option under this Plan. The Company may also, from time to time, assume outstanding options granted by another company, whether in connection with an acquisition of such other company or otherwise, by either (i) granting an Option under this Plan in replacement of the option assumed by the Company, or (ii) treating the assumed option as if it had been granted under this Plan if the terms of such assumed option could be applied to an Option granted under this Plan. Such assumption shall be permissible if the holder of the assumed option would have been eligible to be granted an Option hereunder if the other company had applied the rules of this Plan to such grant.

5. TERMS AND CONDITIONS OF OPTIONS. The Committee shall determine whether each Option is to be an ISO or an NQSO, the number of Shares subject to the Option, the exercise

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
AMENDED 1998 STOCK OPTION PLAN

Page 1

price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following:

a. Form of Option Grant. Each Option granted under this Plan shall be evidenced by a written Stock Option Grant (the "Grant") in such form (which need not be the same for each Optionee) as the Committee shall from time to time approve, which Grant shall comply with and be subject to the terms and conditions of this Plan.

b. Date of Grant. The date of grant of an Option shall be the date on which the Committee makes the determination to grant such Option unless otherwise specified by the committee. The Grant representing the Option will be delivered to Optionee with a copy of this Plan within a reasonable time after the granting of the Option.

c. Exercise Price. The exercise price of an Option shall be determined by the Committee on the date the Option is granted; provided that the exercise price of an Option shall be not less than 100% of the Fair Market Value of the Shares on the date the Option is granted; and provided further that the exercise price of any Option granted to a person owning more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company ("Ten Percent Stockholder") shall not be less than 110% of the Fair Market Value of the Shares on the date the Option is granted.

d. Exercise Period. Options shall be exercisable within the times or upon the events determined by the Committee as set forth in the Grant; provided, however, that no Option shall be exercisable after the expiration of ten (10) years from the date the Option is granted, and provided further that no ISO granted to a Ten Percent Stockholder shall be exercisable after the expiration of five (5) years from the date the Option is granted.

e. Limitations on ISOs. The aggregate Fair Market Value (determined as of the time an Option is granted) of stock with respect to which ISOs are exercisable for the first time by an Optionee during any calendar year (under this Plan or under any other incentive stock option plan of the Company or any Parent or Subsidiary of the Company) shall not exceed \$100,000. If the Fair Market Value of Shares with respect to which ISOs are exercisable for the first time by an Optionee during any calendar year exceeds \$100,000, the Options for the first

\$100,000 worth of Shares to become exercisable in such year shall be ISOs and the Options for the amount in excess of \$100,000 that becomes exercisable in that year shall be NQSOs. In the event that the Revenue Code or the regulations promulgated thereunder are amended after the effective date of this Plan to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit shall be incorporated herein and shall apply to any Options granted after the effective date of such amendment.

f. Options Non-Transferable. Options granted under this Plan, and any interest therein, shall not be transferable or assignable by Optionee, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of Optionee only by Optionee; provided, however, that NQSOs held by an Optionee who is not an officer or director of the Company or other person (in each case, an "Insider") whose transactions in the Company's common stock are subject to Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), may be

transferred to such family members, trust and charitable institutions as the Committee, in its sole discretion, shall approve at the time of the grant of such Option.

g. Assumed Options. In the event the Company assumes an option granted by another company, the terms and conditions of such option shall remain unchanged (except the exercise price and the number and nature of shares issuable upon exercise, which will be adjusted appropriately pursuant to Section 425(c) of the Revenue Code). In the event the Company elects to grant a new option rather than assuming an existing option (as specified in Section 4), such new option may instead be granted with a similarly adjusted exercise price.

h. Limitation on Options granted to Individuals. The number of options that may be granted to optionees from July 1, 1998 through the end of the term of the 1998 Plan, June 30, 2008 is limited to one million shares per individual.

6. EXERCISE OF OPTIONS.

a. Notice. Options may be exercised only by delivery to the Company of a written stock option exercise agreement (the "Exercise Agreement") in a form approved by the Committee (which need not be the same for each Optionee), stating the number of Shares being purchased, the restrictions imposed on the Shares, if any, and such representations and agreements regarding Optionee's investment intent and access to information, if any, as may be required by the Company to comply with applicable securities laws, together with payment in full of the exercise price for the number of Shares being purchased.

b. Payment. Payment for the Shares may be made in cash (by check) or, where approved by the Committee in its sole discretion at the time of grant and where permitted by law: (i) by cancellation of indebtedness of the Company to the Optionee; (ii) by surrender of shares of common stock of the Company having a Fair Market Value equal to the applicable exercise price of the Options, that have been owned by Optionee for more than six (6) months (and which have been paid for within the meaning of the Securities and Exchange Commission ("SEC") Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares), or were obtained by Optionee in the open public market; (iii) by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Revenue Code, provided that the portion of the exercise price equal to the par value of the Shares, if any, must be paid in cash or other legal consideration; (iv) by waiver of compensation due or accrued to Optionee for services rendered; (v) provided that a public market for the Company's stock exists, through a "same day sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (a "NASD Dealer") whereby Optionee irrevocably elects to exercise the option and to sell a portion of the Shares so purchased to pay for the exercise price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; (vi) provided that a public market for the Company's stock exists, through a "margin" commitment from Optionee and a NASD Dealer whereby Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the

NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or (vii) by any combination of the foregoing.

c. Withholding Taxes. Prior to issuance of the Shares upon exercise of an Option, Optionee shall pay or make adequate provision for any federal or state withholding obligations of the Company, if applicable.

d. Limitations on Exercise. Notwithstanding the exercise periods set forth in the Grant, exercise of an Option shall always be subject to the following:

(i) If Optionee ceases to be employed by the Company or any Parent, Subsidiary or Affiliate of the Company for any reason except death or disability, Optionee may exercise such Optionee's Options to the extent (and only to the extent) that they would have been exercisable upon the date of termination, within three (3) months after the date of termination (or such shorter time period as may be specified in the Grant), but in any event no later than the expiration date of the Options;

(ii) If Optionee's employment with the Company or any Parent, Subsidiary or Affiliate of the Company is terminated because of the death of Optionee or disability of Optionee within the meaning of Section 22(e)(3) of the Revenue Code, Optionee's Options may be exercised to the extent (and only to the extent) that they would have been exercisable by Optionee on the date of termination, by Optionee (or Optionee's legal representative) within twelve (12) months after the date of termination (or such shorter time period as may be specified in the Grant), but in any event no later than the expiration date of the Options.

(iii) The Committee shall have discretion to determine whether Optionee has ceased to be employed by the Company or any Parent, Subsidiary or Affiliate of the Company and the effective date on which such employment or other relationship terminated.

(iv) The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent Optionee from exercising the full number of Shares as to which the Option is then exercisable.

(v) An Option shall not be exercisable unless such exercise is in compliance with the Securities Act of 1933, as amended (the "Securities Act"), all applicable state securities laws and the requirements of any stock exchange or national market system upon which the Shares may then be listed, as they are in effect on the date of exercise. The Company shall be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or national market system, and the Company shall have no liability for any inability or failure to do so.

(vi) An Option shall not be exercisable until such time as the Plan has been approved by the stockholders in accordance with paragraph 12 below.

7. MODIFICATION, EXTENSION AND RENEWAL OF OPTIONS. The Committee shall have the power to modify, extend or renew outstanding Options and to authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of Optionee, impair any rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered shall be treated in accordance with Section 424(h) of the Revenue Code. The Committee shall have the power to reduce the exercise price of outstanding Options without the consent of Optionees by a written notice to the Optionees affected; provided, however, that the exercise price per Share may not be reduced below the minimum exercise price that would be permitted under Section 5(c) of this Plan for Options granted on the date the action is taken to reduce the exercise price.

8. PRIVILEGES OF STOCK OWNERSHIP. No Optionee shall have any of the rights of a stockholder with respect to any Shares subject to an Option until such Option is properly exercised. No adjustment shall be made for dividends or distributions or other rights for which the record date is prior to such date, except as provided in this Plan. The Company shall provide to each Optionee a copy of the annual financial statements of the Company at such time after the close of each fiscal year of the Company as such statements are generally released by the Company to its common stockholders generally.

9. NO OBLIGATION TO EMPLOY. Nothing in this Plan or any Option granted under this Plan shall confer on any Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Optionee's employment or other relationship at any time, with or without cause.

10. ADJUSTMENT OF OPTION SHARES. In the event that the number of outstanding shares of common stock of the Company is changed by a stock dividend, stock split, reverse stock split, combination, reclassification or similar change in the capital structure of the Company without consideration, or if a substantial portion of the assets of the Company are distributed, without consideration in a spin-off or similar transaction, to the stockholders of the Company, the number of Shares available under this Plan and the number of Shares subject to outstanding Options and the exercise price per Share of such Options shall be proportionately adjusted, subject to any required action by the Board of Directors (the "Board") or stockholders of the Company and compliance with applicable securities laws; provided, however, that a fractional share shall not be issued upon exercise of any Option and any fractions of a Share that would have resulted shall either be cashed out at Fair Market Value or the number of Shares issuable under the Option shall be rounded up to the nearest whole number, as determined by the Committee; and provided further that the exercise price may not be decreased to below the par value, if any, for the Shares.

11. ASSUMPTION OF OPTIONS BY SUCCESSORS.

a. In the event of (i) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly owned subsidiary, a reincorporation, or other transaction in which there is no substantial change in the stockholders of the corporation and the Options granted under this Plan are assumed by the successor corporation, which assumption shall be binding on all optionees), (ii) a dissolution or liquidation

of the Company, (iii) the sale of substantially all of the assets of the Company, or (iv) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Revenue Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition of all or substantially all of the outstanding shares of the Company), all outstanding Options shall, notwithstanding any contrary terms of the Grant, accelerate and become exercisable in full prior to the consummation of such dissolution, liquidation, merger, sale of assets or other corporate transaction, at such times and on such conditions as the Board shall determine, unless the successor corporation assumes the outstanding Options or substitutes substantially equivalent options. In the event of (i) an acquisition of all or substantially all of the outstanding shares of the Company, or (ii) a change in the senior management of the Company which adversely affects your position, salary or employment with the Company and as a result of this change you or the Company decide to terminate your employment, then all outstanding Options shall, notwithstanding any contrary terms of the Grant, accelerate and become exercisable in full. If the Fair Market Value of Shares with respect to which all ISOs are first exercisable in such calendar year exceeds \$100,000, the Options for the first \$100,000 worth of Shares to become exercisable in that year shall be ISOs and the Options for the amount in excess of \$100,000 shall be NQSOs.

b. Subject to the foregoing provisions of this Section 11, in the event of the occurrence of any transaction described in Section 11(a), any outstanding Option shall be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, sale of assets or other "corporate transaction".

12. ADOPTION AND STOCKHOLDER APPROVAL. This Plan shall become effective on the date that it is adopted by the Board of Directors of the Company. This Plan shall be approved by the stockholders of the Company, in any manner permitted by applicable corporate law, within twelve (12) months before or after the date this Plan is adopted by the Board. Upon the effective date of the Plan, the Board may grant Options pursuant to this Plan; provided that, in the event that stockholder approval is not obtained within the time period provided herein, all Options granted hereunder shall terminate. No Option that is issued as a result of any increase in the number of shares authorized to be issued under this Plan shall be exercised prior to the time such increase has been approved by the stockholders of the Company and all such Options granted pursuant to such increase shall similarly terminate if such Stockholder approval is not obtained. After the Company becomes subject to Section 16(b) of the Exchange Act, the Company will comply with the requirements of Rule 16b-3 with respect to stockholder approval.

13. ADMINISTRATION. This Plan may be administered by the Board or a committee appointed by the Board (the "Committee"). If at the earlier of September 1, 1998 or the date that the Board resolves to conform to the amended Rules promulgated by the SEC effective May 1, 1998 pursuant to Section 16 of the Exchange Act, the Board is not comprised entirely of Disinterested Persons, the Company will take appropriate steps to comply with the disinterested director requirements of Section 16(b) of the Exchange Act, which may consist of the appointment by the Board of a Committee consisting of not less than two (2) persons (who are members of the Board), each of whom is a Disinterested Person. As used in this Plan, references to the "Committee" shall mean either the committee appointed by the Board to administer this Plan or the Board if no committee has been established. The interpretation by the Committee of any of the provisions of this Plan or any Option granted under this Plan shall be final and binding upon

the Company and all persons having an interest in any Option or any Shares purchased pursuant to an Option. The Committee may delegate to officers of the Company the authority to grant Options under this Plan to Optionees who are not Insiders of the Company.

14. TERM OF PLAN. Options may be granted pursuant to this Plan from time to time within a period of ten (10) years from the date on which this Plan is adopted by the Board.

15. AMENDMENT OR TERMINATION OF PLAN. The Committee may at any time terminate or amend this Plan in any respect including (but not limited to) amendment of any form of grant, exercise agreement or instrument to be executed pursuant to this Plan; provided, however, that the Committee shall not, without the approval of the stockholders of the company, amend this Plan in any manner that requires such stockholder approval pursuant to the Revenue Code or the regulations promulgated thereunder as such provisions apply to ISO plans or pursuant to the Exchange Act or Rule 16b-3 (or its successor) promulgated thereunder.

16. CERTAIN DEFINITIONS. As used in this Plan, the following terms shall have the following meanings:

a. "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the granting of the Option, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

b. "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

c. "Affiliate" means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another corporation, where "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

d. "Disinterested Person" means a director who is not, during the period that he is a member of the Committee and for one (1) year prior to service as a member of the Committee, granted or awarded equity securities pursuant to this Plan or any other plan of the Company or any Parent, Subsidiary or Affiliate of the Company, except in accordance with the requirements set forth in Rule 16b-3(c)(2), as promulgated by the SEC under Section 16(b) of the Exchange act, as such Rule is amended from time to time and as interpreted by the SEC.

e. "Fair Market Value" shall mean the fair market value of the Shares as determined by the Committee from time to time in good faith. In the event the common stock of the Company is listed on a stock exchange or on the NASD OTC Bulletin Board System, the Fair Market Value shall be the closing price of the Corporation's common stock on the date of determination.

Employee#: -----
Grant#: -----

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
INCENTIVE STOCK OPTION GRANT

EDUVERSE Accelerated Learning Systems, Inc., a Nevada corporation, (the "Company") hereby grants to the optionee named below (the "Optionee"), an incentive stock option (the "Option") under the Company's 1998 Stock Option Plan, as amended (the "Plan"), to purchase the total number of shares set forth below of common stock of the Company (the "Option Shares") at the exercise price per share set forth below (the "Exercise Price"). The option is subject to all the terms and conditions of the Incentive Stock Option Grant including the terms and conditions contained in the attached Appendix A (the "Grant") and the Plan, the provisions of which are incorporated herein by reference. The principal features of the option are as follows:

Optionee: -----

Address: -----

Number of Option Shares: -----

Exercise Price per Share: -----

Date of Grant: -----

Expiration Date: -----

Post Termination Exercise: -----

Vest Start Date: -----

Subject to the terms and conditions of the Plan and this Grant, the Option shall vest 2% per month for 50 months on the 1st day of each calendar month until the earlier of (1) the date the option becomes fully vested or (2) the date the optionee ceases to be employed. An optionee shall be deemed to have worked a calendar month if optionee has worked any portion of that month. Vesting will be suspended during any unpaid leave of absence. Optionee may first exercise the Option with respect to the vested Option Shares on the first day of the 7th month from Vest Start Date. Optionee may then exercise the Option with respect to vested Option Shares at any time until expiration or termination.

PLEASE READ ALL OF APPENDIX A, WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THE OPTION.

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

Per: -----
Mark E. Bruk, President & CEO

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
INCENTIVE STOCK OPTION GRANT

ACCEPTANCE

Optionee hereby acknowledges that a copy of the Plan, as amended, is available upon request from the Administration department and can also be accessed electronically. Optionee represents that Optionee has read and understands the terms and conditions thereof, and accepts the Option subject to all the terms and conditions of the Plan and the Grant.

OPTIONEE ACKNOWLEDGES THAT THERE MAY BE ADVERSE TAX CONSEQUENCES UPON EXERCISE OF THE OPTION AND THAT OPTIONEE SHOULD CONSULT A TAX ADVISER PRIOR TO SUCH EXERCISE.

Optionee

Employee#: -----
Grant#: -----

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
NONQUALIFIED STOCK OPTION GRANT

EDUVERSE Accelerated Learning Systems, Inc., a Nevada corporation, (the "Company") hereby grants to the optionee named below (the "Optionee"), a non-qualified stock option (the "Option") under the Company's 1998 Stock Option Plan, as amended (the "Plan"), to purchase the total number of shares set forth below of common stock of the Company (the "Option Shares") at the exercise price per share set forth below (the "Exercise Price"). The option is subject to all the terms and conditions of the Nonqualified Stock Option Grant including the terms and conditions contained in the attached Appendix A (the "Grant") and the Plan, the provisions of which are incorporated herein by reference. The principal features of the option are as follows:

Optionee: -----

Address: -----

Number of Option Shares: -----

Exercise Price per Share: -----

Date of Grant: -----

Expiration Date: -----

Vest Start Date: -----

Subject to the terms and conditions of the Plan and this Grant, the Option shall vest 2% per month for 50 months on the 1st day of each calendar month until the earlier of (1) the date the option becomes fully vested or (2) the date the optionee ceases to be employed. An optionee shall be deemed to have worked a calendar month if optionee has worked any portion of that month. Vesting will be suspended during any unpaid leave of absence. Optionee may first exercise the Option with respect to the vested Option Shares on the first day of the 7th month from Vest Start Date. Optionee may then exercise the Option with respect to vested Option Shares at any time until expiration or termination.

PLEASE READ ALL OF APPENDIX A, WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THE OPTION.

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

Per: -----
Mark E. Bruk, President & CEO

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
NONQUALIFIED STOCK OPTION GRANT

ACCEPTANCE

Optionee hereby acknowledges that a copy of the Plan, as amended, is available upon request from the Administration department and can also be accessed electronically. Optionee represents that Optionee has read and understands the terms and conditions thereof, and accepts the Option subject to all the terms and conditions of the Plan and the Grant.

OPTIONEE ACKNOWLEDGES THAT THERE MAY BE ADVERSE TAX CONSEQUENCES UPON EXERCISE OF THE OPTION AND THAT OPTIONEE SHOULD CONSULT A TAX ADVISER PRIOR TO SUCH EXERCISE.

Optionee

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
NONQUALIFIED STOCK OPTION TERMS AND CONDITIONS
UNDER THE 1998 STOCK OPTION PLAN, AS AMENDED

1. Form of Option Grant. Each Option granted under the Plan shall be evidenced by a written Stock Option Grant (the "Grant") in such form (which need not be the same for each Optionee) as the Committee shall from time to time approve, which Grant shall comply with and be subject to the terms and conditions of the Plan.

2. Date of Grant. The date of grant of the Option shall be the date on which the Committee makes the determination to grant such Option unless otherwise specified by the committee. The Grant representing the Option will be delivered to Optionee within a reasonable time after the granting of the Option. Copies of the Plan will be available electronically and can also be obtained by contacting the Stock Administration Department.

3. Exercise Price. The exercise price of the Option shall be determined by the Committee on the date the Option is granted; provided that the exercise price of the Option shall be not less than 100% of the Fair Market Value of the Shares on the date the Option is granted.

4. Exercise Period. Options shall be exercisable within the times or upon the events determined by the Committee as set forth in the Grant; provided, however, that no Option shall be exercisable after the expiration of ten (10) years from the date the Option is granted.

5. Restrictions on Exercise. Exercise of the Option is subject to the following limitations:

(a) The Option may not be exercised until the Plan has been approved by the stockholders of the Company as set forth in the Plan.

(b) The Option may not be exercised unless such exercise is in compliance with the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended, all applicable state securities laws, and the requirements of any stock exchange or national market system on which the Company's Common Stock may be listed, as they are in effect on the date of exercise.

(c) The Option may be exercised even if there is outstanding, within the meaning of Section 422A(c)(7) of the Internal Revenue Code of 1954, as amended (the "Code"), any incentive stock option to purchase stock of the Company or its Parent or Subsidiary (as defined in the plan) that was granted to the Optionee before the grant of the Option.

6. Termination of Option.

(a) Except as provided in this section, the Option shall terminate in whole if Optionee ceases to be a Staff Member of the Company and may not be exercised to the extent terminated. If the Optionee ceases to be a Staff Member of the Company for any reason except by death or disability, the Option, to the extent it is exercisable on the date on which the Optionee ceases to be a Staff Member (the "Termination Date"), may be exercised by the Optionee within three (3)

months after the Termination Date (or such shorter time period as may be specified in the Grant), but in no event later than the Expiration Date.

(b) Except as provided in this section, the Option shall terminate in part, if Optionee ceases to be a full time Staff Member of the Company but remains a Staff Member of the Company, and may not be exercised to the extent terminated. If the Optionee ceases to be a full time Staff Member of the Company for any reason other than disability, the Option, to the extent it is exercisable on the date on which the Optionee ceases to be a full time Staff Member, may be exercised by the Optionee within three (3) months after the Termination Date (or such shorter time period as may be specified in the Grant), but in no event later than the Expiration Date.

(i) An Optionee shall be deemed to be a "full time" Staff Member if Optionee works not less than 40 hours per week, unless prevailed upon by local law.

(ii) Except as to the number of Option Shares for which the Option terminates in accordance with subsection (b)(iii) below, the Option shall continue to vest with respect to Option Shares in equal monthly amounts from the Termination Date to the time the Optionee has been continuously employed 50 calendar months from the vest start date set forth in the Grant.

(iii) The number of Option Shares for which the Option shall terminate in accordance with this Paragraph will be determined by multiplying the total number of Option Shares by the following fraction:

$$\frac{40 \text{ minus [number of hours regularly worked per week]}}{40}$$

(c) If the Optionee's employment with the Company is terminated because of the death of the Optionee or disability of the Optionee within the meaning of Section 22(e)(3) of the Code, the Option, to the extent that it is exercisable on the Termination Date, may be exercised by the Optionee (or the Optionee's legal representative) at any time prior to the expiration of twelve (12) months after the Termination Date (or such shorter time period as may be specified in the Grant), but in any event no later than the Expiration Date.

(d) Nothing in the Plan or the Grant shall confer on Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Optionee's employment or other relationship at any time, with or without cause.

7. Manner of Exercise.

(a) The Option shall be exercisable by delivery to the Company of written notice in the form attached hereto as Exhibit A, or in such other form as may be approved by the Board of Directors of the Company, which shall set forth the Optionee's election to exercise the Option, the number of Option Shares being purchased, and such other representations and agreements as to the Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws.

(b) Such notice shall be accompanied by full payment of the Exercise Price (i) in cash; (ii) by tender of shares of Common Stock of the Company having a fair market value equal to the Exercise Price; or (iii) a combination of the foregoing, provided that a portion of the exercise price equal to the par value of the Shares, if any, must be paid in cash or other legal consideration.

(c) Prior to the issuance of the Option Shares upon exercise of the Option, the Optionee must pay or make adequate provision for any applicable federal, state, or provincial withholding obligations of the Company.

(d) Provided that such notice and payment are in form and substance satisfactory to counsel for the Company, the Company shall issue the Option Shares registered in the name of the Optionee or the Optionee's legal representative.

8. Compliance with Laws and Regulations. The issuance and transfer of Option Shares shall be subject to compliance by the Company and the Optionee with all applicable requirements of federal and state laws and with all applicable requirements of any stock exchange or national market system on which the Company's Common Stock may be listed at the time of such issuance or transfer.

9. Nontransferability of Option. The Option may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee. The terms of the Option shall be binding upon the executors, administrators, successors and assigns of the Optionee.

10. Tax Consequences. Set forth below is a brief summary as of the date the form of grant was adopted of some of the federal and Nevada tax consequences of exercise of the Option and disposition of the Shares. Additional information is included in the Plan, as amended. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

(a) Exercise. Upon exercise, Optionee will recognize compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. The Company may be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

(b) Disposition of the Shares. For federal tax purposes, if the Shares are held for more than twelve (12) months but not more than eighteen (18) months after the date of transfer of the Shares pursuant to the exercise of a nonqualified stock option, any gain realized on the disposition of the Shares will be treated as mid-term capital gain. If the Shares are held for more than eighteen (18) months any such gain will be treated as long-term capital gain. The maximum mid-term capital gain rate is twenty-eight percent (28%) and the maximum long-term capital gain rate is twenty percent (20%).

11. Interpretation. Any dispute regarding the interpretation of this agreement shall be submitted by Optionee or the Company forthwith to the Company's Board of Directors or the committee thereof that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Board or committee shall be final and binding on the Company and on Optionee.

12. Entire Agreement. The Exercise Notice and Agreement attached as Exhibit A and the Plan available upon request from the Stock Administration department and also accessible electronically is incorporated herein by reference. The Grant, the Plan and the Exercise Notice and Agreement constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof.

EXHIBIT A TO THE GRANT AGREEMENT
STOCK OPTION EXERCISE NOTICE AND AGREEMENT

EDUVERSE Accelerated Learning Systems, Inc.
Suite 209, 1135 Terminal Way
Reno, Nevada 89502

Attention: Stock Administrator

1. Exercise of Option. The undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase ----- shares of the Common Stock (the "Option Shares") of EDUVERSE Accelerated Learning Systems, Inc. (the "Company") under and pursuant to the Company's 1998 Stock Option Plan (the "Plan") and the stock option grant numbered #------ and dated ----- (the "Grant"). The terms and conditions of the Plan and the Grant are hereby incorporated into and made a part of this Agreement by this reference.

2. Representations of Optionee. Optionee hereby acknowledges, represents and warrants that Optionee has received, read and understood the Plan and the Grant and will abide by and be bound by their terms and conditions.

3. Compliance with Securities Laws. Optionee understands and acknowledges that the exercise of any rights to purchase any Option Shares is expressly conditioned upon compliance with the Securities Act of 1933, the Exchange Act of 1934, the requirements of any stock exchange or national market system on which the Company's stock may be listed, and all applicable state securities laws. Optionee agrees to cooperate with the Company to ensure compliance with such laws.

4. Stop Transfer Notices. Optionee understands and agrees that the Company may issue appropriate "stop transfer" instructions to its transfer agent to ensure compliance with the restrictions on transfer.

5. Tax Consequences. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE OPTION SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE OPTION SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE. IN PARTICULAR, IF OPTIONEE IS AN INSIDER SUBJECT TO SECTION 16(B) OF THE EXCHANGE ACT, OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH OPTIONEE'S TAX ADVISERS CONCERNING THE ADVISABILITY OF FILING AN 83(B) ELECTION WITH THE INTERNAL REVENUE SERVICE.

6. Delivery of Payment. Optionee herewith delivers to the Company the aggregate purchase price of the Option Shares that Optionee has elected to purchase and has made provision for the payment of any federal or state withholding taxes required to be paid or withheld by the Company.

7. Entire Agreement. This Exercise Agreement, the Plan and the Grant constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and is governed by Nevada law except for that body of law pertaining to conflict of laws.

Submitted by:

Accepted by:

OPTIONEE:

EDUVERSE ACCELERATED
LEARNING SYSTEMS, INC.

- - - - -

Per: - - - - -
Mark E. Bruk, President & CEO

- - - - -

(Print Name)

Dated: - - - - -

Dated: - - - - -

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

1998 DIRECTORS' STOCK OPTION PLAN

AS ADOPTED BY THE BOARD OF DIRECTORS ON JUNE 3, 1998
AS APPROVED BY THE STOCKHOLDERS ON JUNE 3, 1998

1. PURPOSE. This 1998 Directors' Stock Option Plan ("Plan") is established to provide equity incentives for members of the Board of Directors of EDUVERSE Accelerated Learning Systems, Inc., a Nevada corporation (the "Company") who are not employees of the Company, to promote the financial success and progress of the Company by granting such persons options ("Options") to purchase shares of the Common Stock ("Shares") of the Company, and to provide the opportunity for such persons to receive Shares of common stock of the Company in lieu of cash compensation.

2. ADOPTION AND APPROVAL. This Plan shall become effective on the date it is approved by the affirmative vote or written consent of the holders of a majority of the outstanding shares of the Company.

3. NUMBER OF SHARES. The maximum number of Shares that may be issued pursuant to Options granted under this Plan shall be 150,000 Shares, subject to adjustment as provided in Section 11 below. If any Option is terminated for any reason without being exercised in whole or in part, the Shares thereby released from such Option shall continue to be available under this Plan. At all times during the term of this Plan, the Company shall reserve and keep available such number of Shares as shall be required to satisfy the requirements of outstanding Options under this Plan.

4. ADMINISTRATION. This Plan shall be administered by the Board or by a Committee of not less than two (2) members of the Board appointed to administer this Plan (as used herein, the term "Board" shall mean either such Committee or the Board if no Committee has been established). The interpretation by the Board of any of the provisions of this Plan or any Option granted under this Plan shall be final and binding upon the Company and all persons having an interest in any Option or any Shares purchased pursuant to an Option.

5. ELIGIBILITY AND AWARD FORMULA. Options may be granted only to such directors of the Company who are not employees of the Company ("Optionees") in accordance with the following formula:

a. Upon initial election or appointment to the Board of Directors, each Optionee shall be granted an option to purchase up to 25,000 shares of the Company's common stock on the date of election or appointment.

b. Upon re-election to the Board of Directors at the annual meeting of stockholders of the Company, each Optionee shall be granted an option to purchase 8,000 shares of the Company's common stock on the date of re-election; provided, however, that any such Optionee who

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
1998 DIRECTORS' STOCK OPTION PLAN

Page 1

received such Optionee's initial grant pursuant to (a) above since the last annual meeting of stockholders shall receive a prorated annual grant to purchase a number of shares determined as set forth above and multiplied by a fraction whose numerator is the number of calendar months or portions thereof that the director has served since the date of the initial grant and whose denominator is twelve. The provisions of this Section 5 shall not be amended more than once every six months, other than to comport with changes in the Internal Revenue Code of 1986, as amended (the "Code") or the rules thereunder.

6. TERMS AND CONDITIONS OF OPTIONS. The Option shall be subject to the following terms and conditions:

(a) Form of Option Grant. Each Option granted under this Plan shall be evidenced by a written Stock Option Grant ("Grant") in such form as the Board shall from time to time establish, which Grant shall incorporate the provisions of this Plan by reference and shall comply with and be subject to the terms and conditions of this Plan.

(b) Exercise Price. The exercise price of any Option shall be not less than 100% of the fair market value per share of the Company's common stock on the date the Option is granted. Fair market value shall be the closing price on the NASD OTC Bulletin Board System.

(c) Exercise Period. Options shall be exercisable as to two percent (2%) of the Shares immediately on the date of grant and as to an additional two percent (2%) of the Shares on the first day of each calendar month beginning after the date of grant; provided, however, that no Option shall be exercisable after expiration of ten (10) years from the date the Option is granted.

(d) Date of Grant. The date of grant of an Option shall be the date provided in Section 5 above. The Grant representing the Option shall be delivered to the Optionee within a reasonable time after the granting of the Option.

(e) Provision of Information. The Company shall provide to each Optionee a copy of the annual financial statements of the Company, at such time after the close of each fiscal year of the Company as they are released by the Company to its stockholders.

7. EXERCISE OF OPTIONS.

(a) Notice. Options may be exercised only by delivery of a written notice to the Company, in a form approved by the Board, stating the number of Shares being purchased and such other representations and agreements as to the Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws, together with payment of the exercise price for the number of Shares being purchased.

(b) Payment. Payment for the Shares may be made in cash (by check) or, where permitted by law: (i) by cancellation of indebtedness of the Company to the Optionee; (ii) by surrender of shares of common stock of the Company having a fair market value equal to the applicable exercise price of the Options, that have been owned by Optionee for more than six (6) months (and which have been paid for within the meaning of the Securities and Exchange Commission

("SEC") Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares), or were obtained by Optionee in the open public market; (iii) by Optionee making an irrevocable election in writing to reduce cash compensation in lieu of shares of common stock of the Company as described in Section 9 below; (iv) provided that a public market for the Company's stock exists, through a "same day sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (a "NASD Dealer") whereby Optionee irrevocably elects to exercise the option and to sell a portion of the Shares so purchased to pay for the exercise price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or (v) by any combination of the foregoing.

(c) Withholding Taxes. Prior to issuance of the Shares upon exercise of an Option, the optionee shall pay or make adequate provision for any federal or state withholding obligations of the Company, if applicable.

(d) Limitations on Exercise. Notwithstanding the exercise periods set forth in the Grant, exercise of an Option shall always be subject to the following limitations:

(i) An Option shall not be exercisable until such time as the Plan has been approved by the stockholders of the Company in accordance with Section 3 above.

(ii) An Option shall not be exercisable unless such exercise is in compliance with the Securities Act of 1933, as amended, and all applicable state securities laws, as they are in effect on the date of exercise.

(iii) If the Optionee ceases to be a director of the Company for any reason except death or disability, the Optionee may exercise such Optionee's Options to the extent (and only to the extent) that they would have been exercisable upon the date of termination, within three (3) months after the date of termination (or such shorter time period as may be specified in the Grant), but in any event no later than the expiration date of the Option.

(iv) If the Optionee ceases to be a director of the Company because of death or disability, the Optionee's Options may be exercised to the extent (and only to the extent) that they would have been exercisable by Optionee on the date of termination by Optionee (or Optionee's legal representative) within twelve (12) months after the date of termination (or such shorter time period as may be specified in the Grant), but in any event no later than the expiration date of the Option.

8. DEFERRAL OF REGULAR CASH COMPENSATION INTO COMMON STOCK OF THE COMPANY.

Each Optionee may elect to reduce all or part of the cash compensation otherwise payable for services to be rendered by him as a director (including the annual retainer and any fees payable for serving on the Board or a Committee of the Board) and to receive in lieu thereof Shares. Any such election shall be in writing and must be made before the services are rendered giving rise to such compensation, and may not be revoked or changed thereafter during the Director's term. On

such election, the cash compensation otherwise payable will be increased by 10% for purposes of determining the number of Shares to be credited to such Optionee.

If an Optionee so elects to defer, there shall be credited to such Optionee a number of Shares equal to the amount of the deferral (increased by 10% as described in the preceding sentence) divided by the fair market value as determined by the closing price on the NASD OTC Bulletin Board System on the day in which the compensation would have been paid in the absence of a deferral election.

9. NONTRANSFERABILITY OF OPTIONS. During the lifetime of the Optionee, an Option may be exercisable only by the Optionee. No Option may be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution.

10. PRIVILEGES OF STOCK OWNERSHIP. No Optionee shall have any of the rights of a shareholder with respect to any Shares subject to an Option until the Option has been validly exercised and the Shares have been issued. No adjustment shall be made for dividends or distributions or other rights for which the record date is prior to the date of issuance, except as provided in Section 11 below.

11. ADJUSTMENT OF OPTION SHARES. In the event that the number of outstanding shares of Common Stock of the Company is changed by a stock dividend, stock split, reverse stock split or similar change in the capital structure of the Company, the number of shares available under this Plan and the number of Shares subject to outstanding Options and the exercise price per share of such Options shall be proportionately adjusted, subject to any required action by the Board or stockholders of the Company; provided, however, that no certificate or scrip representing fractional shares shall be issued upon exercise of any Option and any resulting fractions of a share shall be ignored.

12. NO OBLIGATION TO EMPLOY. Nothing in this Plan or in any Option granted under this Plan shall confer on any Optionee any right to continue as a Director.

13. COMPLIANCE WITH LAWS. The grant of Options and the issuance of Shares upon exercise of any Options shall be subject to compliance with all applicable requirements of law, including without limitation compliance with the Securities Act of 1933, as amended, any required approval by the Commissioner of Corporations of the State of Nevada, compliance with all applicable state securities laws and compliance with the requirements of any stock exchange on which the Shares may be listed.

14. ACCELERATION OF EXERCISABILITY ON CHANGE IN CONTROL. Upon a Change in Control (as defined below) of the Company, all options theretofore granted and not previously exercisable shall become fully exercisable to the same extent and in the same manner as if they had become exercisable by passage of time in accordance with the provisions of the Plan relating to periods of exercisability and to termination of employment. As used in this section, a Change in Control of the Company means (i) a dissolution or liquidation of the Company, (ii) a merger or consolidation whereby the Company becomes a subsidiary of another corporation or, in which

the Company is not the surviving corporation (other than a merger or consolidation with a wholly owned subsidiary, a reincorporation, or other transaction in which there is no substantial change in the stockholders of the corporation and the Options granted under this Plan are assumed by the successor corporation, which assumption shall be binding on all optionees), (iii) the sale of substantially all of the assets of the Company, or (iv) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Revenue Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition of all or substantially all of the outstanding shares of the Company).

15. AMENDMENT OR TERMINATION OF PLAN. Subject to the limitations set forth in Section 6 above, the Board may at any time terminate or amend this Plan; provided, however, that the Board shall not, without the approval of the stockholders of the Company, increase the total number of Shares available under this Plan (except by operation of the provisions of Sections 3 and 11 above) or change the class of persons eligible to receive Options. In any case, no amendment of this Plan may adversely affect any then outstanding Options or any unexercised portions thereof without the written consent of the Optionee.

16. EFFECTIVE PERIOD OF PLAN. Options may be granted pursuant to this Plan from time to time from the date this Plan is approved by the stockholders of the Company but no later than June 30, 2008.

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
1998 DIRECTORS' NONQUALIFIED STOCK OPTION GRANT

Optionee: -----

Address: c/o EDUVERSE Accelerated Learning Systems, Inc.
Suite 209, 1135 Terminal Way, Reno, NV 89502

Number of Option Shares: -----

Exercise Price per Share: -----

Date of Grant: -----

Expiration Date: -----

Post Termination Exercise: -----

Vest Start Date: -----

1. Grant of Option: EDUVERSE Accelerated Learning Systems, Inc. (the "Company"), a Nevada corporation, hereby grants to the optionee named above (the "Optionee") a nonqualified stock option (this "Option") to purchase the total number of shares set forth above of Common Stock of the Company (the "Option Shares") at the exercise price per share set forth above (the "Exercise Price"), subject to all of the terms and conditions of this Nonqualified Stock Option Grant ("Grant") and the Company's 1998 Directors' Stock Option Plan, (the "Plan"), the provisions of which are incorporated herein by this reference.

2. Exercise Period of Option. Subject to the terms and conditions of the Plan and this Grant, this Option shall become exercisable as to two percent (2%) of the Shares immediately on the date of grant set forth above (the "Date of Grant") and as to an additional two percent (2%) of the Shares on the first day of each calendar month beginning after the Date of Grant.

3. Restrictions on Exercise. Exercise of this Option is subject to the following limitations:

(a) This Option may not be exercised until the Plan has been approved by the stockholders of the Company as set forth in the Plan.

(b) This Option may not be exercised unless such exercise is in compliance with the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended, all applicable state securities laws, and the requirements of any stock exchange or national market system on which the Company's Common Stock may be listed, as they are in effect on the date of exercise.

4. Termination of Option.

(a) Except as provided in this Section, this Option shall terminate in whole if Optionee ceases to be a member (a "Board Member") of the Board of Directors of the Company or any Parent, Subsidiary or Affiliate of the Company and may not be exercised to the extent terminated. If the Optionee ceases to be a Board Member of the Company for any reason except by death or

disability, this Option, to the extent it is exercisable by the Optionee on the date on which the Optionee ceases to be a Board Member (the "Termination Date"), may be exercised by the Optionee within three (3) months after the Termination Date (or such shorter time period as may be specified in the Grant), but in no event later than the Expiration Date.

(b) If the Optionee ceases to be a Board Member because of the death of the Optionee or disability of the Optionee within the meaning of Section 22(e)(3) of the Code, this Option, to the extent that it is exercisable by the Optionee on the Termination Date, may be exercised by the Optionee (or the Optionee's legal representative) at any time prior to the expiration of twelve (12) months after the Termination Date (or such shorter time period as may be specified in the Grant), but in any event no later than the Expiration Date.

5. Manner of Exercise.

(a) This Option shall be exercisable by delivery to the Company of written notice in the form attached hereto as Exhibit A, or in such other form as may be approved by the Board of Directors or the committee thereof that administers the Plan, which shall set forth the Optionee's election to exercise this Option, the number of Option Shares being purchased, and such other representations and agreements as to the Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws.

(b) Such notice shall be accompanied by full payment of the Exercise Price (i) in cash; (ii) by tender of shares of Common Stock of the Company having a fair market value equal to the Exercise Price; (iii) by tender of a full-recourse promissory note in such form as the Board may approve at the time the Option is granted; or (iv) by any combination of the foregoing.

(c) Prior to the issuance of the Option Shares upon exercise of this Option, the Optionee must pay or make adequate provision for any applicable federal or state withholding obligations of the Company. If Optionee is an Insider subject, at the time of exercise of this Option, to Section 16(b) of the Securities Exchange Act of 1934, as amended, the Optionee may provide for payment of withholding taxes upon exercise of the Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld, all as set forth in Section 8(c) of the Plan. In such case, the Company shall issue the net number of Shares to the Optionee by deducting the Shares retained from the Shares exercised.

(d) Provided that such notice and payment are in form and substance satisfactory to counsel for the Company, the Company shall issue the Option Shares registered in the name of the Optionee or the Optionee's legal representative.

6. Compliance with Laws and Regulations. The issuance and transfer of Option Shares shall be subject to compliance by the Company and the Optionee with all applicable requirements of federal and state laws and with all applicable requirements of any stock exchange or national market system on which the Company's Common Stock may be listed at the time of such issuance or transfer.

7. Nontransferability of Option. This Option may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, successors and assigns of the Optionee.

8. Tax Consequences. Set forth below is a brief summary as of the date of this Option of some of the federal and Nevada tax consequences of exercise of this Option and disposition of the Shares. Additional information is included in the Plan, as amended. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise. Upon exercise, Optionee will recognize compensation income in an amount equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price for those Shares. Optionee represents that Optionee has consulted any tax consultant(s) Optionee deems advisable in connection with the purchase of the Shares.

(b) Disposition of the Shares. For federal tax purposes, for shares disposed of after 1986, long-term capital gain will generally be treated as ordinary income subject to the maximum tax rate. If the shares acquired pursuant to the exercise of a nonqualified stock option are held for at least six (6) months after the date of transfer pursuant to the exercise of the nonqualified stock option, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes for potential set-off against capital losses.

9. Interpretation. Any dispute regarding the interpretation of this agreement shall be submitted by Optionee or the Company forthwith to the Company's Board of Directors or the committee thereof that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Board or committee shall be final and binding on the Company and on Optionee.

10. Entire Agreement. The Plan and the Notice and Agreement attached as Exhibit A are incorporated herein by reference. This Grant, the Plan and the Notice and Agreement constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof.

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

Per: -----
Mark E. Bruk, President & CEO

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
1998 DIRECTORS' NONQUALIFIED STOCK OPTION GRANT

ACCEPTANCE

Optionee hereby acknowledges receipt of a copy of the Plan, as amended, represents that Optionee has read and understands the terms and provisions thereof, and accepts this Option subject to all the terms and provisions of the Plan and this Grant. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option and that Optionee should consult a tax adviser prior to such exercise.

OPTIONEE ACKNOWLEDGES THAT THERE MAY BE ADVERSE TAX CONSEQUENCES UPON EXERCISE OF THE OPTION AND THAT OPTIONEE SHOULD CONSULT A TAX ADVISER PRIOR TO SUCH EXERCISE.

Optionee

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
NON-REVOCABLE NOTICE OF ELECTION OF DEFERRAL
UNDER THE 1998 DIRECTORS' STOCK OPTION PLAN

Service Year of Deferral: From July 1998 through June 1999.

I -----, a director (the "Director") of the Board of Directors of EDUVERSE Accelerated Learning Systems, Inc. (the "Company"), hereby elects to receive shares of Common Stock of the Company, (the "Shares") in lieu of cash compensation pursuant to the 1998 Directors' Stock Option Plan (the "Plan") effective July 1, 1998. The Director acknowledges that this election is irrevocable for the service year.

II. Designation of cash compensation to use for purchasing the Shares:

Formula: [Compensation x 110% / Common Stock FMV on date of service]

Dollar Amount: \$-----

or

Percentage of Director's yearly fees: -----%

Source of fees (check all that apply):

Annual Retainer: -----

Committee Meetings: -----

III. Certificate registration and mailing instructions:

IV. The Director hereby acknowledges that:

The Shares will be issued under the Plan quarterly and delivered in certificate form within a reasonable time and at such place as the Director requests. Any amount remaining from the Directors' compensation that is insufficient to purchase a full Share shall be carried forward, without interest, to the next quarterly Shares purchase.

The Shares will be issued in compliance with the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended, all applicable state securities laws, and the requirements of any stock exchange or national market system on which the Company's common stock may be listed, as they are in effect on the date of issue.

In connection with any registration of the Company's securities, upon the request of the Company or the underwriters managing any public offering of the Company's securities, the Director will not sell or otherwise dispose of any Shares without the prior written consent of the Company or such underwriters, as the case may be, for a period of time (not to exceed one hundred and eighty (180) days) from the effective date of such registration as the Company or the underwriters may specify for employee stockholders generally.

The Shares will have restricted legends placed upon the Certificate pursuant to Rule 144 and Section 16(b)(3). The Company may issue appropriate "stop transfer" instructions to its transfer agent to ensure compliance with the restrictions on transfer.

Copies of the Plan and Prospectus are available upon request from the Stock Administration department.

The Director understands that the Director may suffer adverse tax consequences as a result of the Director's purchase or disposition of the Shares. The Director represents that the Director has consulted with any tax consultant(s) the Director deems advisable in connection with the purchase or disposition of the Shares and that the Director is not relying on the Company for any tax advice.

EXHIBIT A
DIRECTORS' STOCK OPTION EXERCISE NOTICE AND AGREEMENT

EDUVERSE Accelerated Learning Systems, Inc.
Suite 209, 1135 Terminal Way
Reno, Nevada, US 89502

Attention: Stock Administrator

1. Exercise of Option. The undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase ----- shares of the Common Stock (the "Option Shares") of EDUVERSE Accelerated Learning Systems, Inc. (the "Company") under and pursuant to the Company's 1998 Directors' Stock Option Plan, (the "Plan") and the stock option grant dated ----- (the "Grant"). The terms and conditions of the Plan and the Grant are hereby incorporated into and made a part of this Agreement by this reference.

2. Representations of Optionee. Optionee hereby acknowledges, represents and warrants that Optionee has received, read and understood the Plan and the Grant and will abide by and be bound by their terms and conditions.

3. Compliance with Securities Laws. Optionee understands and acknowledges that the exercise of any rights to purchase any Option Shares is expressly conditioned upon compliance with the Securities Act of 1933, the Exchange Act of 1934, the requirements of any stock exchange or national market system on which the Company's stock may be listed, and all applicable state securities laws. Optionee agrees to cooperate with the Company to ensure compliance with such laws.

4. Stop Transfer Notices. Optionee understands and agrees that the Company may issue appropriate "stop transfer" instructions to its transfer agent to ensure compliance with the restrictions on transfer.

5. Tax Consequences. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE OPTION SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE OPTION SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE. IN PARTICULAR, IF OPTIONEE IS AN INSIDER SUBJECT TO SECTION 16(B) OF THE EXCHANGE ACT, OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH OPTIONEE'S TAX ADVISERS CONCERNING THE ADVISABILITY OF FILING AN 83(B) ELECTION WITH THE INTERNAL REVENUE SERVICE.

6. Delivery of Payment. Optionee (or Optionee's broker acting as agent) herewith delivers to the Company the aggregate purchase price of the Option Shares that Optionee has elected to purchase, in cash (by check payable to EDUVERSE Accelerated Learning Systems, Inc.) in the amount of \$ -----, receipt of which is acknowledged by the Company.

7. Entire Agreement. This Exercise Agreement, the Plan and the Grant constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and is governed by Nevada law except for that body of law pertaining to conflict of laws.

Submitted by:

Accepted by:

OPTIONEE:

EDUVERSE ACCELERATED
LEARNING SYSTEMS, INC.

Per: -----
Mark E. Bruk, President & CEO

(Print Name)

Dated: -----

Dated: -----

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

1998 DIRECTORS' STOCK OPTION PLAN

JULY 1, 1998

150,000 SHARES
COMMON STOCK, \$.001 PAR VALUE

EDUVERSE Accelerated Learning Systems, Inc., a Nevada corporation (the "Company"), is offering an aggregate of 150,000 shares of its authorized but unissued Common Stock to members of the Board of Directors of the Company who are not employees of the Company (the "Directors") pursuant to the terms and conditions of the Company's 1998 Directors' Stock Option Plan, as amended (the "Directors' Plan") as described herein.

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

INTRODUCTION

This document relates to unexercised options to purchase shares of Common Stock of the Company granted or to be granted to members of the Board of Directors of the Company, who are not employees of the Company (provided such directors render bona fide services not in connection with the offer and sale of securities in a capital raising transaction) under the Directors' Plan. A registration statement with respect to such shares of Common Stock (the "Registration Statement") will be filed with the Securities and Exchange Commission (the "SEC").

Additional information about the Directors' Plan and the administrators can be obtained by contacting the Stock Administration Department, 775.332.3325. The address of the corporation is Suite 209, 1135 Terminal Way, Reno, Nevada 89502.

QUESTIONS AND ANSWERS ABOUT THE OPTIONS

1. WHAT IS THE HISTORY OF THE DIRECTORS' PLAN?

The Directors' Plan was adopted by the Company's Board of Directors on June 3, 1998 and was approved by the Company's stockholders on June 3, 1998.

2. WHAT IS THE PURPOSE OF THE DIRECTORS' PLAN?

The Directors' Plan is established to provide equity incentives for members of the Board of Directors who are not employees of the Company, to promote the financial success and progress

of the Company by granting such persons options ("Options") to purchase shares of the Common Stock ("Shares") of the Company, and to provide the opportunity for such persons to receive Shares in lieu of cash compensation

3. WHO IS ELIGIBLE TO PARTICIPATE?

Members of the Board of Directors of the Company who are not employees of the Company (provided such directors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction) may receive options under the Directors' Plan.

4. WHAT KIND OF OPTIONS ARE THERE?

The Company can grant only "Nonqualified Stock Options" or "NQS0's" under the Directors' Plan. Under NQS0's, the director is required to recognize ordinary income at the time of exercise for the difference between the exercise price and the fair market value.

5. CAN A DIRECTOR HOLD MORE THAN ONE OPTION?

Yes.

6. IS THERE A LIMIT TO THE NUMBER OR SIZE OF OPTIONS A DIRECTOR CAN GET?

Options under the Directors' Plan are granted in accordance with the following formula. Directors shall be granted an option for 25,000 shares upon election to the Board of Directors. Upon re-election to the Board of Directors, each Director shall be granted an option to purchase 8,000 shares of the Company's common stock on the date of re-election, subject to proration if the Director's initial grant was granted since the last annual meeting of stockholders.

7. HOW CAN DIRECTORS RECEIVE SHARES INSTEAD OF CASH COMPENSATION?

Directors may elect to receive all or part of their annual retainer and/or meeting fees in stock. In order to do so, the Directors must make an irrevocable election prior to rendering services for the current year. In exchange for forgoing cash in lieu of stock, the amount of compensation given in stock shall be increased by 10%.

8. WHEN CAN DIRECTORS EXERCISE OPTIONS?

Options granted under the Directors' Plan typically become exercisable at the rate of 2% per month beginning the month the director joins the Board. The exercisability of the options is set forth on the first page of the option grant or option agreement.

9. HOW LONG DO THE DIRECTORS HAVE TO EXERCISE?

All options must be exercised within ten (10) years after the option grant date for the Directors' Plan.

10.WHAT DETERMINES THE EXERCISE PRICE?

The exercise price of any Option is determined on the date the Option is granted. It shall be not less than 100% of the closing price of the Company's Common Stock on the NASD OTC Bulletin Board System on the date of grant.

11.HOW DOES A DIRECTOR EXERCISE OPTIONS?

To exercise an option, a director must deliver to the Stock Administration Department of the Company a signed copy of the Stock Option Exercise Notice and Agreement for the Directors' Plan. Payment for the shares may be made in cash (by check from the Director or his designated broker) or, when authorized by the Board at the time of the grant of the option under the Directors' Plan, shares of fully paid Common Stock of the Company, a full recourse promissory note or certain other forms of payment. The Company will then issue a certificate representing the shares purchased.

12.ARE THERE ANY RESTRICTIONS ON THE RESALE OF SHARES A DIRECTOR PURCHASES?

The Directors' Plan does not impose any restrictions on the resale of shares of Common Stock purchased. However, directors are, by definition, affiliates of the Company, and resales are therefore required to be effected in accordance with Rule 144. Directors are also subject to the short-swing profit restrictions outlined in Rule 16-3 under the Securities Exchange Act of 1934. In addition, there may be tax consequences associated with the sale or other disposition of shares. See "Tax Information," below.

13.CAN DIRECTORS TRANSFER THEIR OPTIONS?

Generally, no. Options may not be transferred by a director except by will or the laws of descent and distribution.

14.WHAT HAPPENS IF A DIRECTOR RESIGNS FROM THE BOARD OF THE COMPANY?

In the event that a director's relationship with the Company is terminated for any reason other than death or disability, the director will have the right to exercise any options, to the extent (and only to the extent) that the options would have been exercisable upon the date of termination, within three (3) months after the date of termination (or such shorter time period as may be specified in the Grant), but in any event no later than the expiration date of the Options.

In the event that a director's relationship with the Company is terminated because of death or disability, options granted under the Directors' Plan may be exercised to the extent (and only to the extent) that they would have been exercisable on the date of termination, within twelve (12) months after the date of termination (or such shorter time period as may be specified in the Grant), but in any event no later than the expiration date of the Options.

15.IS THE OPTION AN EMPLOYMENT CONTRACT?

No. The option grant or agreement does not impose any obligation whatsoever upon the director or the Company to continue a relationship with the Company. Such relationship is terminable at will by the director or the Company.

16.DO DIRECTOR OPTIONS GET ADJUSTED FOR FUTURE EVENTS?

If the Company issues additional securities to raise more capital, no adjustments will be made. However, if there is a stock split, stock dividend or similar change in the Company's capital structure without receipt of consideration by the Company, the number of shares subject to and the exercise price of options issued under the Directors' Plan will be adjusted accordingly. The number of shares reserved under the Directors' Plan will also be proportionately adjusted.

17.WHAT HAPPENS IN A MERGER OR CONSOLIDATION ?

Upon a Change in Control (as defined below) of the Company, all options theretofore granted and not previously exercisable shall become fully exercisable to the same extent and in the same manner as if they had become exercisable by passage of time in accordance with the provisions of the Plan relating to periods of exercisability and to termination of employment. As used in this section, a Change in Control of the Company means (i) a dissolution or liquidation of the Company, (ii) a merger or consolidation whereby the Company becomes a subsidiary of another corporation or, in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly owned subsidiary, a reincorporation, or other transaction in which there is no substantial change in the stockholders of the corporation and the Options granted under this Plan are assumed by the successor corporation, which assumption shall be binding on all optionees), (iii) the sale of substantially all of the assets of the Company, or (iv) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Revenue Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition of all or substantially all of the outstanding shares of the Company)..

18.WHAT HAPPENS TO UNEXERCISED, EXPIRED OPTIONS?

If an option granted pursuant to the Directors' Plan is terminated for any reason without being exercised in whole or in part or if it expires according to its terms, the shares thereby released from such option will become available again under the Directors' Plan.

19.HOW ARE THE OPTIONS ADMINISTERED?

The Directors' Plan is administered by the Compensation Committee of the Board of Directors of the Company (referred to, along with the Board of Directors, as the "Board" as the context requires), whose address is the same as that of the Company's principal executive offices. The Board designates the optionees, exercise prices, exercise periods and dates of grants. The members of the Compensation Committee receive a yearly fee; no additional compensation is

paid for administering the Directors' Plan. The Company bears all expenses in connection with administration of the Directors' Plan.

20.WHO IS ON THE COMPENSATION COMMITTEE?

The Compensation Committee currently consists solely of Mr. Mark Bruk, who is an affiliate of the Company. Other than as disclosed herein (including disclosures in material incorporated by reference herein), members of the Compensation Committee that administer the Directors' Plan have no material relationships with the Company, its employees or its affiliates.

21.WHO ELECTS THE BOARD AND THE COMPENSATION COMMITTEE?

The members of the full Board are elected each year at the Company's annual meeting of stockholders and serve until the next annual meeting or until their successors are elected and qualified. The stockholders may remove members of the full Board from office by following certain voting procedures set forth in the Company's by-laws and applicable corporate law. The members of the Compensation Committee are chosen by the full Board and serve at its discretion.

22.WHAT IF THERE IS A DISPUTE CONCERNING THE DIRECTORS' PLAN?

Subject to the provisions of the Directors' Plan, the Compensation Committee has the authority to construe and interpret any of the provisions of the Directors' Plan or any options granted thereunder. Such interpretations are binding on the Company and on the director. Members of the Board can be contacted by writing to them at the Company's principal executive offices to the attention of the Stock Administration department.

23.HOW CAN THE DIRECTORS' PLAN CHANGE?

Subject to the terms and conditions of the Directors' Plan and applicable law, the Board may modify, extend or renew outstanding options. The Board may terminate or amend the Directors' Plan in any respect provided it does not, without stockholder approval, amend the Directors' Plan in any manner that requires such stockholder approval pursuant to the Code or the Securities Exchange Act of 1934, as amended (the "1934 Act") (including Rule 16b-3 promulgated thereunder). Currently, this means that the Board must have stockholder approval among other things, to increase the number of shares available under the Directors' Plan, to change the class of persons eligible to receive options or to make a change that materially increases the benefits accruing to Directors' Plan participants.

24.CAN I GET ADDITIONAL INFORMATION ABOUT THE DIRECTORS' PLAN AND OPTIONS ISSUED UNDER THAT PLAN?

The full text of the Directors' Plan is attached. These questions and answers are simply a guide to the principal provisions of the Directors' Plan and are qualified in their entirety by the wording of those documents.

You may also contact the Company's Manager of Stock Administration with any specific questions you may have regarding the Directors' Plan.

25. CAN DIRECTORS RECEIVE INFORMATION PROVIDED TO STOCKHOLDERS?

Yes, any optionee under the Directors' Plan can obtain material sent by the Company to its stockholders by contacting the Stock Administration Department at the Company's headquarters.

26. DOES THE COMPANY PROVIDE ANY INDEMNIFICATION TO DIRECTORS?

Yes, the Company indemnifies Directors to the extent permitted by law, the Articles of Incorporation, and the Company's Bylaws. However, the Company has been informed by the Securities and Exchange Commission that such indemnification is against public policy as expressed in the 1933 Act and is therefore unenforceable.

TAX INFORMATION

EACH PARTICIPANT SHOULD CONSULT A TAX ADVISOR CONCERNING FEDERAL (AND ANY STATE AND LOCAL) INCOME TAX CONSEQUENCES OF PARTICIPATION IN THE DIRECTORS' PLAN. THE FOLLOWING DISCUSSION DOES NOT PURPORT TO DESCRIBE STATE OR LOCAL INCOME TAX CONSEQUENCES OR TAX CONSEQUENCES FOR PARTICIPANTS IN COUNTRIES OTHER THAN THE UNITED STATES.

The Directors' Plan is not qualified under Section 401(a) of the Code.

TAX TREATMENT OF THE OPTIONEE

Tax Consequences. Set forth below is a brief summary as of the date the form of grant was adopted of some of the federal and Nevada tax consequences of exercise of the Option and disposition of the Shares. Additional information is included in the Plan, as amended. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

Exercise. Upon exercise, Optionee will recognize compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price.

Disposition of the Shares. For federal tax purposes, if the Shares are held for more than twelve (12) months but not more than eighteen (18) months after the date of transfer of the Shares pursuant to the exercise of a nonqualified stock option, any gain realized on the disposition of the Shares will be treated as mid-term capital gain. If the Shares are held for more than eighteen (18) months any such gain will be treated as long-term capital gain. The maximum mid-term capital gain rate is twenty-eight percent (28%) and the maximum long-term capital gain rate is twenty percent (20%).

Exercises Within Six Months of a Section 16(b) Purchase. If an optionee exercises an option more than six months from the date of grant but within six months from the date of a prior purchase that does not constitute an exempt purchase under Section 16(b) of the 1934 Act.

TAX TREATMENT OF THE COMPANY

The Company will be entitled to a deduction in connection with the exercise of an NQSO by a domestic director to the extent that the optionee recognizes ordinary income.

ERISA

The Company believes that the Directors' Plan is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974.

AVAILABILITY OF ADDITIONAL INFORMATION

The Company will file a Registration Statement with the SEC with respect to the shares issuable pursuant to the exercise of options granted under the Directors' Plan. The Registration Statement will incorporate by reference the following documents:

(a) The Registrant's latest annual report filed pursuant to Section 13 or 15(d) of the Exchange Act or the latest prospectus filed pursuant to Rule 424(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the latest prospectus filed pursuant to Rule 424(b) under the Securities Act of 1933 (the "1933 Act"), that contains audited financial statements for the Registrant's latest fiscal year for which such statements have been filed.

(b) All other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the annual report or the prospectus referred to in (a) above.

(c) The description of the Registrant's Common Stock contained in the Registrant's Registration Statement filed with the Commission under Section 12 of the Exchange Act, including any amendment or report filed for the purpose of updating such description.

All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents.

The Company will provide, upon written or oral request and without charge: (1) a copy of any document incorporated by reference in the Registration Statement (not including exhibits to such document unless such exhibits are specifically incorporated by reference into such document); (2) a copy of the Company's most recent Annual Report to Shareholders (or such alternative document as Rule 428(b)(2) under the 1933 Act permits); (3) a copy of all reports, proxy statements and other communications distributed by the Company to its stockholders generally;

and (4) a copy of all documents that constitute a part of the prospectus required to be delivered to each Plan participant. Please direct all requests to the Manager of Stock Administration.

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

1998 EMPLOYEE STOCK PURCHASE PLAN

AS ADOPTED BY THE BOARD OF DIRECTORS ON JUNE 3, 1998
AS APPROVED BY THE STOCKHOLDERS ON JUNE 3, 1998

1. Establishment of Plan. EDUVERSE Accelerated Learning Systems, Inc., (the "Company") proposes to grant options for purchase of the Company's common Stock to eligible employees of the Company and Subsidiaries (as hereinafter defined) pursuant to this Employee Stock Purchase Plan (the "Plan"). For purposes of this Plan, "parent corporation" and "Subsidiary" (collectively, "Subsidiaries") shall have the same meanings as "parent corporation" and "subsidiary corporation" in Sections 424(e) and 424(f), respectively, of the Internal Revenue Code of 1986, as amended (the "Code"). The Company intends that the Plan shall qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed. Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. A total of 500,000 shares of Common Stock are reserved for issuance under the Plan. Such number shall be subject to adjustments effected in accordance with Section 14 of the Plan.

2. Purposes. The purpose of the Plan is to provide employees of the Company and Subsidiaries designated by the Board of Directors as eligible to participate in the Plan with a convenient means to acquire an equity interest in the Company through payroll deductions, to enhance such employees' sense of participation in the affairs of the Company and Subsidiaries, and to provide an incentive for continued employment.

3. Administration. This Plan may be administered by the Board or a committee appointed by the Board (the "Committee"). Until the earlier of September 1, 1998 or the date that the Board resolves to conform to the amended Rules promulgated by the SEC effective May 1, 1998 pursuant to Section 16 of the Exchange Act, the Plan shall be administered by the Board or a committee appointed by the Board consisting of not less than two (2) persons (who are members of the Board), each of whom is a disinterested director. As used in this Plan, references to the "Committee" shall mean either the committee appointed by the Board to administer this Plan or the Board if no committee has been established. Subject to the provisions of the Plan and the limitations of Section 423 of the Code or any successor provision in the Code, all questions of interpretation or application of the Plan shall be determined by the Committee and its decisions shall be final and binding upon all participants. Members of the Committee shall receive no compensation for their services in connection with the administration of the Plan, other than standard fees as established from time to time by the Board of Directors of the Company for services rendered by Board members serving on Board committees. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

4. Eligibility. Any employee of the Company or the Subsidiaries is eligible to participate in an Offering Period (as hereinafter defined) under the Plan except the following:

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
1998 EMPLOYEE STOCK PURCHASE PLAN

Page 1

(a) employees who are not employed by the Company or Subsidiaries on the fifteenth (15th) day of the month before the beginning of such Offering Period;

(b) employees who are customarily employed for less than 20 hours per week;

(c) employees who are customarily employed for less than five (5) months in a calendar year

(d) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code, own stock or hold options to purchase stock or who, as a result of being granted an option under the Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing five (5) percent or more of the total combined voting power or value of all classes of stock of the Company or any of its Subsidiaries; and

(e) employees who would, by virtue of their participation in such Offering Period, be participating simultaneously in more than one Offering Period under the Plan.

5. Offering Dates. The Offering Periods of the Plan (the "Offering Period") shall be of twelve (12) months duration commencing on the first business day of January and July of each year and ending on the last business day of December and June, respectively, hereafter. The first Offering Period shall commence on July 1, 1998. The first day of each Offering Period is referred to as the "Offering Date". Each Offering Period shall consist of two (2) six-month purchase periods (individually, a "Purchase Period"), during which payroll deductions of the participant are accumulated under this Plan. Each such six-month Purchase Period shall commence on the first business day of January and July of an Offering Period and shall end on the last business day of the following June and December, respectively. The last business day of each Purchase Period is hereinafter referred to as the Purchase Date. The Board of Directors of the Company shall have the power to change the duration of Offering Periods or Purchase Periods without stockholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the

first Offering Period or Purchase Period, as the case may be, to be affected.

6. Participation in the Plan. Eligible employees may become participants in an Offering Period under the Plan on the first Offering Date after satisfying the eligibility requirements by delivering to the Company's or Subsidiary's (whichever employs such employee) payroll department (the "payroll department") not later than the 15th day of the month before such Offering Date unless a later time for filing the subscription agreement is set by the Board for all eligible employees with respect to a given Offering Period a subscription agreement authorizing payroll deductions. An eligible employee who does not deliver a subscription agreement to the payroll department by such date after becoming eligible to participate in such Offering Period under the Plan shall not participate in that Offering Period or any subsequent Offering Period unless such employee enrolls in the Plan by filing the subscription agreement with the payroll department not later than the 15th day of the month preceding a subsequent Offering Date. Once an employee becomes a participant in an Offering Period, such employee will automatically participate in the Offering Period commencing immediately following the last day of the prior Offering Period unless the employee withdraws from the Plan or terminates further participation in the Offering Period as set forth in Section 11 below. Such participant is not required to file

any additional subscription agreements in order to continue participation in the Plan. Any participant whose option expires and who has not withdrawn from the Plan pursuant to Section 11 below will automatically be re-enrolled in the Plan and granted a new option on the Offering Date of the next Offering Period. A participant in the Plan may participate in only one Offering Period at any time.

7. Grant of Option on Enrollment. Enrollment by an eligible employee in the Plan with respect to an Offering Period will constitute the grant (as of the Offering Date) by the Company to such employee of an option to purchase on each Purchase Date up to that number of shares of Common Stock of the Company determined by dividing the amount accumulated in such employee's payroll deduction account during such Purchase Period by the lower of (i) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date (the "Entry Price") or (ii) eighty-five percent (85%) of the fair market value of a share of the company's Common Stock on the Purchase Date, provided, however, that the number of shares of the Company's Common Stock subject to any option granted pursuant to this Plan shall not exceed the lesser of (a) the maximum number of shares set by the Board pursuant to Section 10(c) below with respect to all Purchase Periods within the applicable Offering Period or Purchase Period, or (b) two hundred percent (200%) of the number of shares determined by using eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date as the denominator. Fair market value of a share of the Company's Common Stock shall be determined as provided in Section 8 hereof.

8. Purchase Price. The purchase price per share at which a share of Common Stock will be sold in any Offering Period shall be eighty-five percent (85%) of the lesser of:

- (a) the fair market value on the Offering Date or
- (b) the fair market value on the Purchase Date.

For purposes of the Plan, the term "fair market value" on a given date shall mean the closing bid from the previous day's trading of a share of the Company's Common Stock as reported on the NASD OTC Bulletin Board System.

9. Payment of Purchase Price; Changes in Payroll Deductions; Issuance of Shares.

(a) The purchase price of the shares is accumulated by regular payroll deductions made during each Purchase Period. The deductions are made as a percentage of the employee's compensation in one percent (1%) increments not less than two percent (2%) nor greater than ten percent (10%). Compensation shall mean all W-2 compensation, including, but not limited to base salary, wages, commissions, overtime, shift premiums and bonuses, plus draws against commissions; provided, however, that for purposes of determining a participant's compensation, any election by such participant to reduce his or her regular cash remuneration under Sections 125 or 401(k) of the Code shall be treated as if the participant did not make such election. Payroll deductions shall commence with the first pay period following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided in the Plan.

(b) A participant may lower (but not increase) the rate of payroll deductions during a Purchase Period by filing with the payroll department a new authorization for payroll deductions, in which case the new rate shall become effective for the next payroll period commencing more than 15 days after the payroll department's receipt of the authorization and shall continue for the remainder of the Offering Period unless changed as described below. Such change in the rate of payroll deductions may be made at any time during an Offering Period, but not more than one change may be made effective during any Purchase Period. A participant may increase or lower the rate of payroll deductions for any subsequent Purchase Period by filing with the payroll department a new authorization for payroll deductions not later than the 15th day of the month before the beginning of such Purchase Period.

(c) All payroll deductions made for a participant are credited to his or her account under the Plan and are deposited with the general funds of the Company; no interest accrues on the payroll deductions. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

(d) On each Purchase Date, as long as the Plan remains in effect and provided that the participant has not submitted a signed and completed withdrawal form before that date which notifies the Company that the participant wishes to withdraw from that Offering Period under the Plan and have all payroll deductions accumulated in the account maintained on behalf of the participant as of that date returned to the participant, the Company shall apply the funds then in the participant's account to the purchase of whole shares of Common Stock reserved under the option granted to such participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The purchase price per share shall be as specified in Section 8 of the Plan. Any cash remaining in a participant's account after such purchase of shares shall be refunded to such participant in cash; provided, however, that any amount remaining in participant's account on a Purchase Date which is less than the amount necessary to purchase a full share of Common Stock of the Company shall be carried forward, without interest, into the next Purchase Period or Offering Period, as the case may be. In the event that the Plan has been oversubscribed, all funds not used to purchase shares on the Purchase Date shall be returned to the participant. No Common Stock shall be purchased on a Purchase Date on behalf of any employee whose participation in the Plan has terminated prior to such Purchase Date.

(e) As promptly as practicable after the Purchase Date, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the shares purchased upon exercise of his option; provided that the Board may deliver certificates to a broker or brokers that hold such certificates in street name for the benefit of each such participant.

(f) During a participant's lifetime, such participant's option to purchase shares hereunder is exercisable only by him or her. The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised. Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse.

10. Limitations on Shares to be Purchased.

(a) No employee shall be entitled to purchase stock under the Plan at a rate which, when aggregated with his or her rights to purchase stock under all other employee stock purchase plans of the Company or any Subsidiary, exceeds twenty-five thousand dollars (\$25,000) in fair market value, determined as of the Offering Date (or such other limit as may be imposed by the Code) for each calendar year in which the employee participates in the Plan.

(b) No more than two hundred percent (200%) of the number of shares determined by using eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date as the denominator may be purchased by a participant on any single Purchase Date.

(c) No employee shall be entitled to purchase more than the Maximum Share Amount (as defined below) on any single Purchase Date. Not less than thirty days prior to the commencement of any Purchase Period, the Board may, in its sole discretion, set a maximum number of shares which may be purchased by any employee at any single Purchase Date (hereinafter the "Maximum Share Amount"). In no event shall the Maximum Share Amount exceed the amounts permitted under Section 10(b) above. If a new Maximum Share Amount is set, then all participants must be notified of such Maximum Share Amount not less than fifteen (15) days prior to the commencement of the next Purchase Period. Once the Maximum Share Amount is set, it shall continue to apply with respect to all succeeding Purchase Dates and Purchase Periods unless revised by the Board as set forth above.

(d) If the number of shares to be purchased on a Purchase Date by all employees participating in the Plan exceeds the number of shares then available for issuance under the Plan, the Company shall make a pro rata allocation of the remaining shares in as uniform a manner as shall be practicable and as the Board shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares to be purchased under a participant's option to each employee affected thereby.

(e) Any payroll deductions accumulated in a participant's account which are not used to purchase stock due to the limitations in this Section 10 shall be returned to the participant as soon as practicable after the end of the Offering Period.

11. Withdrawal.

(a) Each participant may withdraw from an Offering Period under the Plan by signing and delivering to the payroll department notice on a form provided for such purpose. Such withdrawal may be elected at any time at least fifteen (15) days prior to the end of an Offering Period.

(b) Upon withdrawal from the Plan, the accumulated payroll deductions shall be returned to the withdrawn employee and his or her interest in the Plan shall terminate. In the event an employee voluntarily elects to withdraw from the Plan, he or she may not resume his or her participation in the Plan during the same Offering Period, but he or she may participate in any Offering Period

under the Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth above for initial participation in the Plan. However, if the participant is an "insider" for purposes of Rule 16(b), he or she shall not be eligible to participate in any Offering Period under the Plan which commences less than six (6) months from the date of withdrawal from the Plan.

(c) A participant may participate in the current Purchase Period under an Offering Period (the "Current Offering Period") and enroll in the Offering Period commencing after such Purchase Period (the "New Offering Period") by (i) withdrawing from participating in the Current Offering Period effective as of the last day of a Purchase Period within that Offering Period and (ii) enrolling in the New Offering Period. Such withdrawal and enrollment shall be effected by filing with the payroll department at least fifteen (15) days prior to the end of a Purchase Period such form or forms as are provided for such purposes.

12. Termination of Employment. Termination of a participant's employment for any reason, including retirement or death or the failure of a participant to remain an eligible employee, terminates his or her participation in the Plan immediately. In such event, the payroll deductions credited to the participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative. For this purpose, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of the Company in the case of sick leave, military leave, or any other leave of absence approved by the Board of Directors of the Company; provided that such leave is for a period of not more than ninety (90) days or re-employment upon the expiration of such leave is guaranteed by contract or statute.

13. Return of Payroll Deductions. In the event an employee's interest in the Plan is terminated by withdrawal, termination of employment or otherwise, or in the event the Plan is terminated by the Board, the Company shall promptly deliver to the employee all payroll deductions credited to his account. No interest shall accrue on the payroll deductions of a participant in the Plan.

14. Capital Changes. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split or the payment of a stock dividend (but only on the Common Stock) or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. The Board may, in the exercise of its sole discretion in such instances, declare that the options under the Plan shall terminate as of a date fixed by the Board and give each participant the right to exercise his or her option as to all of the optioned stock, including shares which would not otherwise be exercisable. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the participant shall have the right to exercise the option as to all of the optioned stock. If the Board makes an option exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify the participant that the option shall be fully exercisable for a period of twenty (20) days from the date of such notice, and the option will terminate upon the expiration of such period.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

15. Nonassignability. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 22 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect.

16. Reports. Individual accounts will be maintained for each participant in the Plan. Each participant shall receive promptly after the end of each Purchase Period a report of his account setting forth the total payroll deductions accumulated, the number of shares purchased, the per share price thereof and the remaining cash balance, if any, carried forward to the next Purchase Period or Offering Period, as the case may be.

17. Notice of Disposition. Each participant shall notify the Company if the participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within two (2) years from the Offering Date or within twelve (12) months from the Purchase Date on which such shares were purchased (the "Notice Period"). Unless such participant is disposing of any of such shares during the Notice Period, such participant shall keep the certificates representing such shares in his or her name (and not in the name of a nominee) during the Notice Period. The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to the Plan requesting the Company's transfer agent to notify the Company of any transfer of the shares. The obligation of the participant to provide such notice shall continue notwithstanding the placement of any such legend on certificates.

18. No Rights to Continued Employment. Neither this Plan nor the grant of any option hereunder shall confer any right on any employee to remain in the employ of the Company or any Subsidiary or restrict the right of the Company or any Subsidiary to terminate such employee's employment.

19. Equal Rights and Privileges. All eligible employees shall have equal rights and privileges with respect to the Plan so that the Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 or any successor provision of the Code and the related regulations. Any provision of the Plan which is inconsistent with Section 423 or any successor provision of the Code shall without further act or amendment by the Company or the Board be reformed to comply with the requirements of Section 423. This Section 19 shall take precedence over all other provisions in the Plan.

20. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Stockholder Approval of Amendments. Any required approval of the stockholders of the Company for an amendment shall be solicited at or prior to the first annual meeting of stockholders held subsequent to the grant of an option under the Plan as then amended to an officer or director of the Company. If such stockholder approval is obtained at a duly held stockholders' meeting, it must be obtained by the affirmative vote of the holders of a majority of the outstanding shares of the company represented and voting at the meeting, or if such stockholder approval is obtained by written consent, it must be obtained by the majority of the outstanding shares of the Company; provided, however, that approval at a meeting or by written consent may be obtained by a lesser degree of stockholder approval if the Board determines, in its discretion after consultation with the Company's legal counsel, that such lesser degree of stockholder approval will comply with all applicable laws and will not adversely affect the qualification of the Plan under Section 423 of the Code or Rule 16b-3 promulgated under the Exchange Act ("Rule 16b-3").

22. Designation of Beneficiary

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of a Purchase Period but prior to delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to a Purchase Date.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares or cash to the executor or administrator of the estate of the participant, or if

no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

23. Conditions Upon Issuance of Shares; Limitation on Sale of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

24. Applicable Law. The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of Nevada.

25. Amendment or Termination of the Plan. This Plan shall be effective on the day after the effective date of the Company's Registration Statement filed with the Securities Exchange Commission under the Securities Act of 1933, as amended, with respect to the shares issuable under the Plan (the "Effective Date"), subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board of Directors of the company and the Plan shall continue until the earlier to occur of termination by the Board, issuance of all of the shares of Common Stock reserved for issuance under the Plan, or ten (10) years from the adoption of the Plan by the Board. The Board of Directors of the Company may at any time amend or terminate the Plan, except that any such termination cannot affect options previously granted under the Plan, nor may any amendment make any change in an option previously granted which would adversely affect the right of any participant, nor may any amendment be made without approval of the stockholders of the Company obtained in accordance with Section 21 hereof within 12 months of the adoption of such amendment (or earlier if required by Section 21) if such amendment would:

- (a) Increase the number of shares that may be issued under the Plan;
- (b) Change the designation of the employees (or class of employees) eligible for participation in the Plan or;
- (c) Constitute an amendment for which stockholder approval is required in order to comply with Rule 16b-3 (or any successor rule) of the Exchange Act.

EMPLOYEE STOCK PURCHASE PLAN ACTION FORM
ENROLLMENT/CHANGE/WITHDRAWAL AGREEMENT

SECTION 1:

Action	Complete Sections
<input type="checkbox"/> New Enrollment	2, 3, 4, 6, 8
<input type="checkbox"/> Payroll Deduction Change	2, 4, 8
<input type="checkbox"/> Withdrawal	2, 5, 8
<input type="checkbox"/> Beneficiary Change	2, 6, 8

SECTION 2: PERSONAL INFORMATION

NAME: _____
SS#: _____
ADDRESS: _____
LOCATION: _____

SECTION 3: NEW ENROLLMENT

I hereby elect to participate in the EDUVERSE Employee Stock Purchase Plan (the "Plan") and I agree to be bound by its terms. Stock purchased under the Plan should be registered in my name _____ or in my name together with the following name:

If spouse, circle one: Joint Tenancy/Community Property.

SECTION 4: PAYROLL DEDUCTION AUTHORIZATION

I hereby authorize payroll deductions from each paycheck in that percentage of my compensation as shown below, in accordance with the Plan.

Amount to be Deducted (Circle One):

0% 2% 3% 4% 5% 6% 7% 8% 9% 10%

SECTION 5: WITHDRAWAL

Effective: ____/____/____ (Month/Day/Year) I will cease participating in the Plan, all monies contributed to the Plan thus far will be returned, and I may not re-enroll until the next Offering Period.

SECTION 6: BENEFICIARY

In the event of my death, I hereby designate the following person(s) as my beneficiary(ies) to receive all payments and/or stock due me under the Employee Stock Purchase Plan:

Primary Beneficiary: ----- %:---- Relationship:-----

Primary Beneficiary: ----- %:---- Relationship:-----

Note: If more than one primary beneficiary listed, please indicate % allocated to each.

Secondary Beneficiary: ----- Relationship:-----

If primary beneficiary is other than spouse, spouse must consent to such beneficiary designation.

Signature of Spouse: ----- Date:-----

SECTION 7: ACCUMULATION AND SUCCESSIVE

ACCUMULATION I understand that my payroll deductions will be accumulated for the automatic purchase of shares of Common Stock at the end of each Purchase Period. The purchase price per share will be the lower of (i) 85% of the fair market value on the first day of an Offering Period or (ii) 85% of the fair market value on the last day of an Exercise Period.

SUCCESSIVE I understand that this enrollment will be effective for each subsequent Offering Period unless I withdraw from the PERIODS Plan or otherwise become ineligible to participate in the Plan. In the event, however, that the Offering Price for the new Offering Period for which I am not enrolled is less than the Offering Price for the Offering Period for which I am currently enrolled, I understand that I will automatically be withdrawn from the current Offering Period and re-enrolled in the new Offering Period unless I notify the Company to the contrary.

REVIEW OF PROSPECTUS I have received a copy of the Company's most recent prospectus which describes the Plan. I understand that my participation is in all respects subject to the terms of the Plan.

SECTION 8: AUTHORIZATION

Signature of Employee: ----- Date:-----

Employee#: -----
Grant#: -----

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
INCENTIVE STOCK OPTION GRANT

EDUVERSE Accelerated Learning Systems, Inc., a Nevada corporation, (the "Company") hereby grants to the optionee named below (the "Optionee"), an incentive stock option (the "Option") under the Company's 1998 Stock Option Plan, as amended (the "Plan"), to purchase the total number of shares set forth below of common stock of the Company (the "Option Shares") at the exercise price per share set forth below (the "Exercise Price"). The option is subject to all the terms and conditions of the Incentive Stock Option Grant including the terms and conditions contained in the attached Appendix A (the "Grant") and the Plan, the provisions of which are incorporated herein by reference. The principal features of the option are as follows:

Optionee: -----

Address: -----

Number of Option Shares: -----

Exercise Price per Share: -----

Date of Grant: -----

Expiration Date: -----

Post Termination Exercise: -----

Vest Start Date: -----

Subject to the terms and conditions of the Plan and this Grant, the Option shall vest 2% per month for 50 months on the 1st day of each calendar month until the earlier of (1) the date the option becomes fully vested or (2) the date the optionee ceases to be employed. An optionee shall be deemed to have worked a calendar month if optionee has worked any portion of that month. Vesting will be suspended during any unpaid leave of absence. Optionee may first exercise the Option with respect to the vested Option Shares on the first day of the 7th month from Vest Start Date. Optionee may then exercise the Option with respect to vested Option Shares at any time until expiration or termination.

PLEASE READ ALL OF APPENDIX A, WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THE OPTION.

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

Per: -----
Mark E. Bruk, President & CEO

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
INCENTIVE STOCK OPTION GRANT

ACCEPTANCE

Optionee hereby acknowledges that a copy of the Plan, as amended, is available upon request from the Administration department and can also be accessed electronically. Optionee represents that Optionee has read and understands the terms and conditions thereof, and accepts the Option subject to all the terms and conditions of the Plan and the Grant.

OPTIONEE ACKNOWLEDGES THAT THERE MAY BE ADVERSE TAX CONSEQUENCES UPON EXERCISE OF THE OPTION AND THAT OPTIONEE SHOULD CONSULT A TAX ADVISER PRIOR TO SUCH EXERCISE.

Optionee

Employee#: -----
Grant#: -----

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
NONQUALIFIED STOCK OPTION GRANT

EDUVERSE Accelerated Learning Systems, Inc., a Nevada corporation, (the "Company") hereby grants to the optionee named below (the "Optionee"), a non-qualified stock option (the "Option") under the Company's 1998 Stock Option Plan, as amended (the "Plan"), to purchase the total number of shares set forth below of common stock of the Company (the "Option Shares") at the exercise price per share set forth below (the "Exercise Price"). The option is subject to all the terms and conditions of the Nonqualified Stock Option Grant including the terms and conditions contained in the attached Appendix A (the "Grant") and the Plan, the provisions of which are incorporated herein by reference. The principal features of the option are as follows:

Optionee: -----

Address: -----

Number of Option Shares: -----

Exercise Price per Share: -----

Date of Grant: -----

Expiration Date: -----

Vest Start Date: -----

Subject to the terms and conditions of the Plan and this Grant, the Option shall vest 2% per month for 50 months on the 1st day of each calendar month until the earlier of (1) the date the option becomes fully vested or (2) the date the optionee ceases to be employed. An optionee shall be deemed to have worked a calendar month if optionee has worked any portion of that month. Vesting will be suspended during any unpaid leave of absence. Optionee may first exercise the Option with respect to the vested Option Shares on the first day of the 7th month from Vest Start Date. Optionee may then exercise the Option with respect to vested Option Shares at any time until expiration or termination.

PLEASE READ ALL OF APPENDIX A, WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THE OPTION.

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

Per: -----
Mark E. Bruk, President & CEO

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
NONQUALIFIED STOCK OPTION GRANT

ACCEPTANCE

Optionee hereby acknowledges that a copy of the Plan, as amended, is available upon request from the Administration department and can also be accessed electronically. Optionee represents that Optionee has read and understands the terms and conditions thereof, and accepts the Option subject to all the terms and conditions of the Plan and the Grant.

OPTIONEE ACKNOWLEDGES THAT THERE MAY BE ADVERSE TAX CONSEQUENCES UPON EXERCISE OF THE OPTION AND THAT OPTIONEE SHOULD CONSULT A TAX ADVISER PRIOR TO SUCH EXERCISE.

Optionee

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
NONQUALIFIED STOCK OPTION TERMS AND CONDITIONS
UNDER THE 1998 STOCK OPTION PLAN, AS AMENDED

1. Form of Option Grant. Each Option granted under the Plan shall be evidenced by a written Stock Option Grant (the "Grant") in such form (which need not be the same for each Optionee) as the Committee shall from time to time approve, which Grant shall comply with and be subject to the terms and conditions of the Plan.

2. Date of Grant. The date of grant of the Option shall be the date on which the Committee makes the determination to grant such Option unless otherwise specified by the committee. The Grant representing the Option will be delivered to Optionee within a reasonable time after the granting of the Option. Copies of the Plan will be available electronically and can also be obtained by contacting the Stock Administration Department.

3. Exercise Price. The exercise price of the Option shall be determined by the Committee on the date the Option is granted; provided that the exercise price of the Option shall be not less than 100% of the Fair Market Value of the Shares on the date the Option is granted.

4. Exercise Period. Options shall be exercisable within the times or upon the events determined by the Committee as set forth in the Grant; provided, however, that no Option shall be exercisable after the expiration of ten (10) years from the date the Option is granted.

5. Restrictions on Exercise. Exercise of the Option is subject to the following limitations:

(a) The Option may not be exercised until the Plan has been approved by the stockholders of the Company as set forth in the Plan.

(b) The Option may not be exercised unless such exercise is in compliance with the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended, all applicable state securities laws, and the requirements of any stock exchange or national market system on which the Company's Common Stock may be listed, as they are in effect on the date of exercise.

(c) The Option may be exercised even if there is outstanding, within the meaning of Section 422A(c)(7) of the Internal Revenue Code of 1954, as amended (the "Code"), any incentive stock option to purchase stock of the Company or its Parent or Subsidiary (as defined in the plan) that was granted to the Optionee before the grant of the Option.

6. Termination of Option.

(a) Except as provided in this section, the Option shall terminate in whole if Optionee ceases to be a Staff Member of the Company and may not be exercised to the extent terminated. If the Optionee ceases to be a Staff Member of the Company for any reason except by death or disability, the Option, to the extent it is exercisable on the date on which the Optionee ceases to be a Staff Member (the "Termination Date"), may be exercised by the Optionee within three (3)

months after the Termination Date (or such shorter time period as may be specified in the Grant), but in no event later than the Expiration Date.

(b) Except as provided in this section, the Option shall terminate in part, if Optionee ceases to be a full time Staff Member of the Company but remains a Staff Member of the Company, and may not be exercised to the extent terminated. If the Optionee ceases to be a full time Staff Member of the Company for any reason other than disability, the Option, to the extent it is exercisable on the date on which the Optionee ceases to be a full time Staff Member, may be exercised by the Optionee within three (3) months after the Termination Date (or such shorter time period as may be specified in the Grant), but in no event later than the Expiration Date.

(i) An Optionee shall be deemed to be a "full time" Staff Member if Optionee works not less than 40 hours per week, unless prevailed upon by local law.

(ii) Except as to the number of Option Shares for which the Option terminates in accordance with subsection (b)(iii) below, the Option shall continue to vest with respect to Option Shares in equal monthly amounts from the Termination Date to the time the Optionee has been continuously employed 50 calendar months from the vest start date set forth in the Grant.

(iii) The number of Option Shares for which the Option shall terminate in accordance with this Paragraph will be determined by multiplying the total number of Option Shares by the following fraction:

$$\frac{40 \text{ minus } [\text{number of hours regularly worked per week}]}{40}$$

(c) If the Optionee's employment with the Company is terminated because of the death of the Optionee or disability of the Optionee within the meaning of Section 22(e)(3) of the Code, the Option, to the extent that it is exercisable on the Termination Date, may be exercised by the Optionee (or the Optionee's legal representative) at any time prior to the expiration of twelve (12) months after the Termination Date (or such shorter time period as may be specified in the Grant), but in any event no later than the Expiration Date.

(d) Nothing in the Plan or the Grant shall confer on Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Optionee's employment or other relationship at any time, with or without cause.

7. Manner of Exercise.

(a) The Option shall be exercisable by delivery to the Company of written notice in the form attached hereto as Exhibit A, or in such other form as may be approved by the Board of Directors of the Company, which shall set forth the Optionee's election to exercise the Option, the number of Option Shares being purchased, and such other representations and agreements as to the Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws.

(b) Such notice shall be accompanied by full payment of the Exercise Price (i) in cash; (ii) by tender of shares of Common Stock of the Company having a fair market value equal to the Exercise Price; or (iii) a combination of the foregoing, provided that a portion of the exercise price equal to the par value of the Shares, if any, must be paid in cash or other legal consideration.

(c) Prior to the issuance of the Option Shares upon exercise of the Option, the Optionee must pay or make adequate provision for any applicable federal, state, or provincial withholding obligations of the Company.

(d) Provided that such notice and payment are in form and substance satisfactory to counsel for the Company, the Company shall issue the Option Shares registered in the name of the Optionee or the Optionee's legal representative.

8. Compliance with Laws and Regulations. The issuance and transfer of Option Shares shall be subject to compliance by the Company and the Optionee with all applicable requirements of federal and state laws and with all applicable requirements of any stock exchange or national market system on which the Company's Common Stock may be listed at the time of such issuance or transfer.

9. Nontransferability of Option. The Option may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee. The terms of the Option shall be binding upon the executors, administrators, successors and assigns of the Optionee.

10. Tax Consequences. Set forth below is a brief summary as of the date the form of grant was adopted of some of the federal and Nevada tax consequences of exercise of the Option and disposition of the Shares. Additional information is included in the Plan, as amended. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

(a) Exercise. Upon exercise, Optionee will recognize compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. The Company may be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

(b) Disposition of the Shares. For federal tax purposes, if the Shares are held for more than twelve (12) months but not more than eighteen (18) months after the date of transfer of the Shares pursuant to the exercise of a nonqualified stock option, any gain realized on the disposition of the Shares will be treated as mid-term capital gain. If the Shares are held for more than eighteen (18) months any such gain will be treated as long-term capital gain. The maximum mid-term capital gain rate is twenty-eight percent (28%) and the maximum long-term capital gain rate is twenty percent (20%).

11. Interpretation. Any dispute regarding the interpretation of this agreement shall be submitted by Optionee or the Company forthwith to the Company's Board of Directors or the committee thereof that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Board or committee shall be final and binding on the Company and on Optionee.

12. Entire Agreement. The Exercise Notice and Agreement attached as Exhibit A and the Plan available upon request from the Stock Administration department and also accessible electronically is incorporated herein by reference. The Grant, the Plan and the Exercise Notice and Agreement constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof.

EXHIBIT A TO THE GRANT AGREEMENT
STOCK OPTION EXERCISE NOTICE AND AGREEMENT

EDUVERSE Accelerated Learning Systems, Inc.
Suite 209, 1135 Terminal Way
Reno, Nevada 89502

Attention: Stock Administrator

1. Exercise of Option. The undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase ----- shares of the Common Stock (the "Option Shares") of EDUVERSE Accelerated Learning Systems, Inc. (the "Company") under and pursuant to the Company's 1998 Stock Option Plan (the "Plan") and the stock option grant numbered #----- and dated ----- (the "Grant"). The terms and conditions of the Plan and the Grant are hereby incorporated into and made a part of this Agreement by this reference.

2. Representations of Optionee. Optionee hereby acknowledges, represents and warrants that Optionee has received, read and understood the Plan and the Grant and will abide by and be bound by their terms and conditions.

3. Compliance with Securities Laws. Optionee understands and acknowledges that the exercise of any rights to purchase any Option Shares is expressly conditioned upon compliance with the Securities Act of 1933, the Exchange Act of 1934, the requirements of any stock exchange or national market system on which the Company's stock may be listed, and all applicable state securities laws. Optionee agrees to cooperate with the Company to ensure compliance with such laws.

4. Stop Transfer Notices. Optionee understands and agrees that the Company may issue appropriate "stop transfer" instructions to its transfer agent to ensure compliance with the restrictions on transfer.

5. Tax Consequences. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE OPTION SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE OPTION SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE. IN PARTICULAR, IF OPTIONEE IS AN INSIDER SUBJECT TO SECTION 16(B) OF THE EXCHANGE ACT, OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH OPTIONEE'S TAX ADVISERS CONCERNING THE ADVISABILITY OF FILING AN 83(B) ELECTION WITH THE INTERNAL REVENUE SERVICE.

6. Delivery of Payment. Optionee herewith delivers to the Company the aggregate purchase price of the Option Shares that Optionee has elected to purchase and has made provision for the payment of any federal or state withholding taxes required to be paid or withheld by the Company.

7. Entire Agreement. This Exercise Agreement, the Plan and the Grant constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and is governed by Nevada law except for that body of law pertaining to conflict of laws.

Submitted by:

Accepted by:

OPTIONEE:

EDUVERSE ACCELERATED
LEARNING SYSTEMS, INC.

- - - - -

Per: - - - - -
Mark E. Bruk, President & CEO

- - - - -
(Print Name)

Dated: - - - - -

Dated: - - - - -

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
 1998 DIRECTORS' NONQUALIFIED STOCK OPTION GRANT

Optionee: -----

Address: c/o EDUVERSE Accelerated Learning Systems, Inc.
 Suite 209, 1135 Terminal Way, Reno, NV 89502

Number of Option Shares: -----

Exercise Price per Share: -----

Date of Grant: -----

Expiration Date: -----

Post Termination Exercise: -----

Vest Start Date: -----

1. Grant of Option: EDUVERSE Accelerated Learning Systems, Inc. (the "Company"), a Nevada corporation, hereby grants to the optionee named above (the "Optionee") a nonqualified stock option (this "Option") to purchase the total number of shares set forth above of Common Stock of the Company (the "Option Shares") at the exercise price per share set forth above (the "Exercise Price"), subject to all of the terms and conditions of this Nonqualified Stock Option Grant ("Grant") and the Company's 1998 Directors' Stock Option Plan, (the "Plan"), the provisions of which are incorporated herein by this reference.

2. Exercise Period of Option. Subject to the terms and conditions of the Plan and this Grant, this Option shall become exercisable as to two percent (2%) of the Shares immediately on the date of grant set forth above (the "Date of Grant") and as to an additional two percent (2%) of the Shares on the first day of each calendar month beginning after the Date of Grant.

3. Restrictions on Exercise. Exercise of this Option is subject to the following limitations:

(a) This Option may not be exercised until the Plan has been approved by the stockholders of the Company as set forth in the Plan.

(b) This Option may not be exercised unless such exercise is in compliance with the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended, all applicable state securities laws, and the requirements of any stock exchange or national market system on which the Company's Common Stock may be listed, as they are in effect on the date of exercise.

4. Termination of Option.

(a) Except as provided in this Section, this Option shall terminate in whole if Optionee ceases to be a member (a "Board Member") of the Board of Directors of the Company or any Parent, Subsidiary or Affiliate of the Company and may not be exercised to the extent terminated. If the Optionee ceases to be a Board Member of the Company for any reason except by death or

disability, this Option, to the extent it is exercisable by the Optionee on the date on which the Optionee ceases to be a Board Member (the "Termination Date"), may be exercised by the Optionee within three (3) months after the Termination Date (or such shorter time period as may be specified in the Grant), but in no event later than the Expiration Date.

(b) If the Optionee ceases to be a Board Member because of the death of the Optionee or disability of the Optionee within the meaning of Section 22(e)(3) of the Code, this Option, to the extent that it is exercisable by the Optionee on the Termination Date, may be exercised by the Optionee (or the Optionee's legal representative) at any time prior to the expiration of twelve (12) months after the Termination Date (or such shorter time period as may be specified in the Grant), but in any event no later than the Expiration Date.

5. Manner of Exercise.

(a) This Option shall be exercisable by delivery to the Company of written notice in the form attached hereto as Exhibit A, or in such other form as may be approved by the Board of Directors or the committee thereof that administers the Plan, which shall set forth the Optionee's election to exercise this Option, the number of Option Shares being purchased, and such other representations and agreements as to the Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws.

(b) Such notice shall be accompanied by full payment of the Exercise Price (i) in cash; (ii) by tender of shares of Common Stock of the Company having a fair market value equal to the Exercise Price; (iii) by tender of a full-recourse promissory note in such form as the Board may approve at the time the Option is granted; or (iv) by any combination of the foregoing.

(c) Prior to the issuance of the Option Shares upon exercise of this Option, the Optionee must pay or make adequate provision for any applicable federal or state

withholding obligations of the Company. If Optionee is an Insider subject, at the time of exercise of this Option, to Section 16(b) of the Securities Exchange Act of 1934, as amended, the Optionee may provide for payment of withholding taxes upon exercise of the Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld, all as set forth in Section 8(c) of the Plan. In such case, the Company shall issue the net number of Shares to the Optionee by deducting the Shares retained from the Shares exercised.

(d) Provided that such notice and payment are in form and substance satisfactory to counsel for the Company, the Company shall issue the Option Shares registered in the name of the Optionee or the Optionee's legal representative.

6. Compliance with Laws and Regulations. The issuance and transfer of Option Shares shall be subject to compliance by the Company and the Optionee with all applicable requirements of federal and state laws and with all applicable requirements of any stock exchange or national market system on which the Company's Common Stock may be listed at the time of such issuance or transfer.

7. Nontransferability of Option. This Option may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, successors and assigns of the Optionee.

8. Tax Consequences. Set forth below is a brief summary as of the date of this Option of some of the federal and Nevada tax consequences of exercise of this Option and disposition of the Shares. Additional information is included in the Plan, as amended. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise. Upon exercise, Optionee will recognize compensation income in an amount equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price for those Shares. Optionee represents that Optionee has consulted any tax consultant(s) Optionee deems advisable in connection with the purchase of the Shares.

(b) Disposition of the Shares. For federal tax purposes, for shares disposed of after 1986, long-term capital gain will generally be treated as ordinary income subject to the maximum tax rate. If the shares acquired pursuant to the exercise of a nonqualified stock option are held for at least six (6) months after the date of transfer pursuant to the exercise of the nonqualified stock option, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes for potential set-off against capital losses.

9. Interpretation. Any dispute regarding the interpretation of this agreement shall be submitted by Optionee or the Company forthwith to the Company's Board of Directors or the committee thereof that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Board or committee shall be final and binding on the Company and on Optionee.

10. Entire Agreement. The Plan and the Notice and Agreement attached as Exhibit A are incorporated herein by reference. This Grant, the Plan and the Notice and Agreement constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof.

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.

Per: -----
Mark E. Bruk, President & CEO

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
1998 DIRECTORS' NONQUALIFIED STOCK OPTION GRANT

ACCEPTANCE

Optionee hereby acknowledges receipt of a copy of the Plan, as amended, represents that Optionee has read and understands the terms and provisions thereof, and accepts this Option subject to all the terms and provisions of the Plan and this Grant. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option and that Optionee should consult a tax adviser prior to such exercise.

OPTIONEE ACKNOWLEDGES THAT THERE MAY BE ADVERSE TAX CONSEQUENCES UPON EXERCISE OF THE OPTION AND THAT OPTIONEE SHOULD CONSULT A TAX ADVISER PRIOR TO SUCH EXERCISE.

Optionee

EDUVERSE ACCELERATED LEARNING SYSTEMS, INC.
NON-REVOCABLE NOTICE OF ELECTION OF DEFERRAL
UNDER THE 1998 DIRECTORS' STOCK OPTION PLAN

Service Year of Deferral: From July 1998 through June 1999.

I -----, a director (the "Director") of the Board of Directors of EDUVERSE Accelerated Learning Systems, Inc. (the "Company"), hereby elects to receive shares of Common Stock of the Company, (the "Shares") in lieu of cash compensation pursuant to the 1998 Directors' Stock Option Plan (the "Plan") effective July 1, 1998. The Director acknowledges that this election is irrevocable for the service year.

II. Designation of cash compensation to use for purchasing the Shares:

Formula: [Compensation x 110% / Common Stock FMV on date of service]

Dollar Amount: \$-----

or

Percentage of Director's yearly fees: -----%

Source of fees (check all that apply):

Annual Retainer: -----

Committee Meetings: -----

III. Certificate registration and mailing instructions:

IV. The Director hereby acknowledges that:

The Shares will be issued under the Plan quarterly and delivered in certificate form within a reasonable time and at such place as the Director requests. Any amount remaining from the Directors' compensation that is insufficient to purchase a full Share shall be carried forward, without interest, to the next quarterly Shares purchase.

The Shares will be issued in compliance with the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended, all applicable state securities laws, and the requirements of any stock exchange or national market system on which the Company's common stock may be listed, as they are in effect on the date of issue.

In connection with any registration of the Company's securities, upon the request of the Company or the underwriters managing any public offering of the Company's securities, the Director will not sell or otherwise dispose of any Shares without the prior written consent of the Company or such underwriters, as the case may be, for a period of time (not to exceed one hundred and eighty (180) days) from the effective date of such registration as the Company or the underwriters may specify for employee stockholders generally.

The Shares will have restricted legends placed upon the Certificate pursuant to Rule 144 and Section 16(b)(3). The Company may issue appropriate "stop transfer" instructions to its transfer agent to ensure compliance with the restrictions on transfer.

Copies of the Plan and Prospectus are available upon request from the Stock Administration department.

The Director understands that the Director may suffer adverse tax consequences as a result of the Director's purchase or disposition of the Shares. The Director represents that the Director has consulted with any tax consultant(s) the Director deems advisable in connection with the purchase or disposition of the Shares and that the Director is not relying on the Company for any tax advice.

EXHIBIT A
DIRECTORS' STOCK OPTION EXERCISE NOTICE AND AGREEMENT

EDUVERSE Accelerated Learning Systems, Inc.
Suite 209, 1135 Terminal Way
Reno, Nevada, US 89502

Attention: Stock Administrator

1. Exercise of Option. The undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase ----- shares of the Common Stock (the "Option Shares") of EDUVERSE Accelerated Learning Systems, Inc. (the "Company") under and pursuant to the Company's 1998 Directors' Stock Option Plan, (the "Plan") and the stock option grant dated ----- (the "Grant"). The terms and conditions of the Plan and the Grant are hereby incorporated into and made a part of this Agreement by this reference.

2. Representations of Optionee. Optionee hereby acknowledges, represents and warrants that Optionee has received, read and understood the Plan and the Grant and will abide by and be bound by their terms and conditions.

3. Compliance with Securities Laws. Optionee understands and acknowledges that the exercise of any rights to purchase any Option Shares is expressly conditioned upon compliance with the Securities Act of 1933, the Exchange Act of 1934, the requirements of any stock exchange or national market system on which the Company's stock may be listed, and all applicable state securities laws. Optionee agrees to cooperate with the Company to ensure compliance with such laws.

4. Stop Transfer Notices. Optionee understands and agrees that the Company may issue appropriate "stop transfer" instructions to its transfer agent to ensure compliance with the restrictions on transfer.

5. Tax Consequences. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE OPTION SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE OPTION SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE. IN PARTICULAR, IF OPTIONEE IS AN INSIDER SUBJECT TO SECTION 16(B) OF THE EXCHANGE ACT, OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH OPTIONEE'S TAX ADVISERS CONCERNING THE ADVISABILITY OF FILING AN 83(B) ELECTION WITH THE INTERNAL REVENUE SERVICE.

6. Delivery of Payment. Optionee (or Optionee's broker acting as agent) herewith delivers to the Company the aggregate purchase price of the Option Shares that Optionee has elected to purchase, in cash (by check payable to EDUVERSE Accelerated Learning Systems, Inc.) in the amount of \$ -----, receipt of which is acknowledged by the Company.

7. Entire Agreement. This Exercise Agreement, the Plan and the Grant constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and is governed by Nevada law except for that body of law pertaining to conflict of laws.

Submitted by:

Accepted by:

OPTIONEE:

EDUVERSE ACCELERATED
LEARNING SYSTEMS, INC.

- -----

Per: -----
Mark E. Bruk, President & CEO

- -----
(Print Name)

Dated: -----

Dated: -----

EMPLOYEE STOCK PURCHASE PLAN ACTION FORM
ENROLLMENT/CHANGE/WITHDRAWAL AGREEMENT

SECTION 1:

Action -----	Complete Sections -----
<input type="checkbox"/> New Enrollment	2, 3, 4, 6, 8
<input type="checkbox"/> Payroll Deduction Change	2, 4, 8
<input type="checkbox"/> Withdrawal	2, 5, 8
<input type="checkbox"/> Beneficiary Change	2, 6, 8

SECTION 2: PERSONAL INFORMATION

NAME: -----
SS#: -----
ADDRESS: -----
LOCATION: -----

SECTION 3: NEW ENROLLMENT

I hereby elect to participate in the EDUVERSE Employee Stock Purchase Plan (the "Plan") and I agree to be bound by its terms. Stock purchased under the Plan should be registered in my name ----- or in my name together with the following name:

If spouse, circle one: Joint Tenancy/Community Property.

SECTION 4: PAYROLL DEDUCTION AUTHORIZATION

I hereby authorize payroll deductions from each paycheck in that percentage of my compensation as shown below, in accordance with the Plan.

Amount to be Deducted (Circle One):
0% 2% 3% 4% 5% 6% 7% 8% 9% 10%

SECTION 5: WITHDRAWAL

Effective: ____/____/____ (Month/Day/Year) I will cease participating in the Plan, all monies contributed to the Plan thus far will be returned, and I may not re-enroll until the next Offering Period.

SECTION 6: BENEFICIARY

In the event of my death, I hereby designate the following person(s) as my beneficiary(ies) to receive all payments and/or stock due me under the Employee Stock Purchase Plan:

Primary Beneficiary: ----- %----- Relationship:-----
Primary Beneficiary: ----- %----- Relationship:-----

Note: If more than one primary beneficiary listed, please indicate % allocated to each.

Secondary Beneficiary: ----- Relationship:-----

If primary beneficiary is other than spouse, spouse must consent to such beneficiary designation.

Signature of Spouse: ----- Date:-----

SECTION 7: ACCUMULATION AND SUCCESSIVE

ACCUMULATION I understand that my payroll deductions will be accumulated for the automatic purchase of shares of Common Stock at the end of each Purchase Period. The purchase price per share will be the lower of (i) 85% of the fair market value on the first day of an Offering Period or (ii) 85% of the fair market value on the last day of an Exercise Period.

SUCCESSIVE I understand that this enrollment will be effective for each subsequent Offering Period unless I withdraw from the PERIODS Plan or otherwise become ineligible to participate in the Plan. In the event, however, that the Offering Price for the new Offering Period for which I am not enrolled is less than the Offering Price for the Offering Period for which I am currently enrolled, I understand that I will automatically be withdrawn from the current Offering Period and re-enrolled in the new Offering Period unless I notify the Company to the contrary.

REVIEW OF PROSPECTUS I have received a copy of the Company's most recent prospectus which describes the Plan. I understand that my participation is in all respects subject to the terms of the Plan.

SECTION 8: AUTHORIZATION

Signature of Employee: ----- Date:-----

[LOGO OF EDUVERSE.COM]
Education, Advertising & the Internet

Please review the following terms of the freeENGLISH Affiliate Program Agreement.

freeENGLISH Non-Exclusive Linking Agreement

This Agreement is between eduverse.com and you, the company ("you" or "Company"), and relates to your company's participation in the freeENGLISH Affiliate Program ("Program") and links from your company's web site to the www.freeENGLISH.com web site ("freeENGLISH").

1. Program Links

- a) You can link your site to freeENGLISH using specified URLs and links, which will be provided by eduverse.com upon the acceptance of your application into the Program. There is no limit to the number of links to freeENGLISH that you can post on your site. You may add or remove links at your discretion. You may decide where to post the links on your site.
- b) You may not use any links to freeENGLISH which were not provided by eduverse.com without prior written approval by eduverse.com. eduverse.com will not be responsible for paying commissions to you for gross revenues generated from a user entering freeENGLISH from your site if you have not properly implemented the links and the URLs as specified by eduverse.com. It is your responsibility to notify eduverse.com of any malfunctioning of the link or any other problems with your participation in the Program.
- c) eduverse.com will provide you with a link on freeENGLISH that allows visitors from your site to return to the URL of the site you registered for the Program. eduverse.com will remove this link upon your request. eduverse.com may also remove this link at any time, at its sole discretion.
- d) As a Program member, you may not promote your freeENGLISH links through unsolicited emailing (i.e. spamming) and newsgroup postings.

2. Tracking Your Commissions

- a) During the period of your participation in the Program and subsequent to your active participation in the Program, eduverse.com will pay you a 15% commission for all gross revenues generated from a user who initially entered freeENGLISH directly through an eduverse.com designated link on your site and who later entered freeENGLISH either through the ENGLISH PRO Web Edition application, the same freeENGLISH link or through another link, using the same USERID as when the user initially entered freeENGLISH.

"Gross Revenues" means the gross amounts received by eduverse.com from the sale of advertisements, which advertisements were displayed to your users, and from the sale of products and services through affiliate programs established by eduverse.com, which products and services were sold to your users. Gross Revenues are calculated after payment of any advertising agency fees.

- b) eduverse.com will electronically track the users that have visited freeENGLISH from your site and will allow you to monitor the tracking. All determinations of the commissions will be made by eduverse.com's in-house accountant or its regularly engaged independent certified public accountant, which determination shall be final and binding on the parties hereto. Payments will be made in U.S. dollars within thirty (30) days after the close of each calendar quarter for advertising revenues collected during the prior calendar quarter, unless such payment amount is less than \$100.00. Payments of less than \$100.00 shall be carried over to each following calendar quarter

free ENGLISH Affiliate Program Agreement

Page 1

and shall be made within thirty (30) days after the close of the calendar quarter in which the accumulated payment amounts equal \$100.00 or more. Notwithstanding the foregoing, all payments shall be made within thirty (30) days after the close of the calendar year for amounts collected during the prior calendar year or within thirty (30) days after termination of this Agreement, whichever occurs first.

- c) Within thirty (30) days after the end of each calendar month, eduverse.com will make available to you a report listing the number of users during the preceding calendar month, the Gross Revenues collected and the commission due you.

- d) eduverse.com will maintain books and records of Gross Revenues derived from your users, in accordance with Generally Accepted Accounting Principles. On an annual basis, eduverse.com shall engage at eduverse.com's own expense, an independent auditor to certify eduverse.com's compliance with the terms of this agreement and amount and accuracy of payments to you made under this Agreement.

3. freeENGLISH Site Policy

a) eduverse.com shall have the sole right and responsibility for determining the advertising pricing policy on freeENGLISH and the ENGLISH PRO Web Edition application. All advertisements shall be subject to acceptance by eduverse.com, in its sole discretion. All advertisements accepted shall be subject to the terms and conditions of eduverse.com's then current terms and conditions of advertising. Such terms may be changed at any time, without notice to you. eduverse.com shall have no obligation to advertise any company's products or services. Prices for advertisements shall be set solely by eduverse.com and shall be consistent with prices for freeENGLISH advertisements in similar geographic regions. eduverse.com reserves the right to change its prices at any time, without notice to you or advertisers.

b) You agree not to make any representations, warranties or other statements concerning any customer service matter, including freeENGLISH policies, advertising availability and/or pricing without the prior written consent of eduverse.com and eduverse.com is not responsible or liable in any manner for any such statements.

4. Special Promotions

You acknowledge that in the event that you and eduverse.com enter into any special marketing and promotional activities not set forth in this Agreement, there may be additional costs associated with such activities. You and eduverse.com shall agree in advance in a written promotion schedule (signed by an authorized representative of eduverse.com and your Company) as to the scope of such special marketing and promotional activities and the amount of funds and/or other resources to be contributed to such activities by you and eduverse.com. Any and all promotion schedules shall be deemed appended to this Agreement.

5. Site Qualification

We may exclude sites that we feel do not qualify for participation in the Program because those sites:

- a) promote sexually explicit material, alcohol or tobacco products,
- b) promote violence,
- c) promote illegal activities,

- d) promote discrimination based on race, sex, religion, national origin, physical disability, sexual orientation or age, or
- e) violate intellectual property rights of others.

6. Scope of Agreement

- a) Participation in the Program constitutes your agreement to be bound by the terms and conditions of this Agreement. eduverse.com reserves the right, at its discretion, to change, modify, add or delete any portion of this Agreement at any time. Notification of changes to this Agreement will be posted in the Member's Section of the Program.
- b) If the terms or conditions of this Agreement in its current form, or any future changes to this Agreement are unacceptable to you, or cause you to no longer be in compliance with the Agreement, you may terminate your participation in the Program by ceasing use of the freeENGLISH links and URL(s) and promptly notifying eduverse.com of the same (see Section 9 regarding termination).
- c) eduverse.com may change, suspend or discontinue any aspect of the Program at any time, including the availability of any Program feature, database, or content, with thirty (30) days written notice.

7. Licensing; Ownership

- a) eduverse.com grants you a revocable, limited, non-exclusive license to use the name, logos, trademarks, service marks, trade dress, proprietary technology, graphic banners or other information (the "eduverse.com Intellectual Property"), as provided by eduverse.com during the registration process, on your site for the sole purpose of creating a link from your site to freeENGLISH during your participation in the Program. You may not use the eduverse.com Intellectual Property for any other purpose. Upon termination of this Agreement, you shall immediately terminate the use of the eduverse.com Intellectual Property. Except as expressly set forth in this Agreement, you may not copy, distribute, modify, reverse engineer, or create derivative works from the eduverse.com Intellectual Property.
- b) You grant eduverse.com a revocable, non-exclusive, worldwide, royalty-free license to use any of your names, logos, trademarks, service marks, trade dress, proprietary technology, graphic banners or other information ("Your Intellectual Property"), submitted by you for participation in this Program as reasonably necessary to perform its obligations under this Agreement. eduverse.com may not use Your Intellectual Property for any other purpose. Upon termination of this Agreement, eduverse.com shall immediately terminate the use of Your Intellectual Property. Except as expressly set forth in this Agreement, eduverse.com may not copy, distribute, modify, reverse engineer, or create derivative works from Your Intellectual Property.
- c) Each party owns and shall retain all right, title and interest in its names, logos, trademarks, service marks, trade dress, copyrights and proprietary technology including without limitation, those names, logos, trademarks, service marks, trade dress, copyrights and proprietary technology currently used or which may be developed and/or used by it in the future. The goodwill associated with the use of the same shall inure solely to the benefit of the owning party.

8. Image Scans

In the event that eduverse.com provides you with access to designated digitally scanned images displayed on freeENGLISH, you agree to display the scans in their entirety and to limit your use of the scans to the advertisement or review of the displayed images in accordance with the U.S. Copyright Act. Should you desire to modify or use the scans in a manner which is not in accordance with the U.S. Copyright Act, you agree to obtain the permission of the appropriate copyright holder prior to such modification or use. You understand and agree that you are solely responsible for compliance with the U.S. Copyright Act. In addition, you may not provide the digital scans to third parties without prior written permission from eduverse.com. This grant of access to designated digitally scanned images shall not be construed to be a grant of access to use any other copyrighted materials, including, but not limited to reviews, articles, ad banners, photographs, images, illustrations, audio clips and video clips displayed on freeENGLISH without prior written permission from eduverse.com.

9. Termination

a) You may terminate your participation in the Program at any time by sending an email with the Subject "Cancellation," along with your account number to: affiliate@freeENGLISH.com. eduverse.com will pay you all commissions accrued until the point of termination and on a quarterly basis thereafter, will continue to pay you all commissions due to you for your users until such time as there are no active freeENGLISH users that had registered on freeENGLISH from a link on your web site during your active participation in the Program.

b) With thirty (30) days written notice, eduverse.com may, in its sole discretion, terminate or suspend your participation in the Program for any reason whatsoever, including, without limitation, breach of this Agreement or assignment of this Agreement or any portion of this Agreement by you without the prior written permission of eduverse.com, and such termination notice may be sent by email to you. Subject to the foregoing restriction, this Agreement shall be binding upon you and eduverse.com and your and eduverse.com's respective heirs, executors, successors and assigns.

c) Upon termination by either you or eduverse.com, each of us will immediately revoke the license referred to in Section 7 of this Agreement and cease any and all use of the other's name, logos, trademarks, service marks, trade dress, proprietary technology and graphic banners or other information submitted or provided by the other party, and, promptly (within ten (10) days) of the effective date of termination return or destroy all assets (digital, proprietary or otherwise), including all whole or partial copies thereof, belonging to the other; and, upon request of the other, will certify the same in writing to the other.

d) Sections 7(c), 9, 10 and 11 shall survive termination of this Agreement.

10. Your Representations; Indemnification

a) You represent and warrant that any material that is displayed on your site and/or provided by you for display on freeENGLISH will not:

- i) infringe on any third party's copyright, patent, trademark, trade secret or other proprietary rights;
- ii) violate any applicable law, statute, ordinance or regulation;
- iii) be defamatory or libelous;
- iv) violate any applicable pornography or obscenity laws;

v) promote violence or contain hate speech; or

vii) contain viruses, trojan horses, worms, time bombs, cancelbots or other similar harmful or deleterious programming routines.

b) You agree to indemnify, defend and hold harmless eduverse.com and its affiliates, directors, officers, employees and agents, from and against any and all liability, claim, loss, damage, injury or expense (including reasonable attorneys' fees) brought by a third party, arising out of a breach, or alleged breach, of any of your representations, warranties or obligations herein.

11. General Provisions

a) freeENGLISH and the Program are provided on an "as is" basis without warranties of any kind, either express or implied, including, without limitation, warranties or implied warranties of merchantability or fitness for a particular purpose. In no event shall eduverse.com be liable to you for any direct, indirect, special, exemplary, consequential or incidental damages, whether such damages are alleged in tort, contract or indemnity arising out of the use or inability to use the freeENGLISH, the failure for any reason to return users to your site or loss of data, even if eduverse.com is informed of the possibility of such damages. In the event of dissatisfaction, your sole and exclusive remedy is to terminate participation in the Program. eduverse.com is liable for any breach of this Agreement with respect to the payment of commissions due to you and with respect to the proper use of Your Intellectual Property as per this Agreement.

b) eduverse.com agrees to defend, indemnify and hold you harmless for any loss, damage or liability for any claimed infringement of any U.S. patent right, copyright and trade secrets, or other proprietary rights asserted by any third person arising out of your use of freeENGLISH or any eduverse.com products, provided (1) that eduverse.com is promptly notified in writing by you of any such claim against you, (2) that you authorize eduverse.com to assume sole control over the defense of any such claim thereafter, together with the right to settle or compromise such claim, and (3) that you make available to eduverse.com such information, assistance and authority as may be reasonably requested by eduverse.com in order to enable eduverse.com to defend any such claim. In the event any such claim is asserted, eduverse.com shall have the right without limitation, at its option either (a) to obtain such rights and/or licenses from the claimant as may be necessary to enable you to continue using and/or marketing the eduverse.com Products which are the subject of the claim, and/or (b) to modify the eduverse.com Products with respect to which such claim is asserted so as to avoid further claimed infringement by such Person. eduverse.com further agrees to indemnify and hold you harmless from and against any and all liabilities, costs, damages and expenses (including legal costs) arising out of or in connection with any issue for warranty. eduverse.com agrees to indemnify you (including reasonable attorney's fees and costs of litigation) against and hold you harmless from any and all claims by any other party resulting from eduverse.com's acts, omissions or representations, regardless of the form of action. A copy of eduverse.com's current End User License Agreement for ENGLISH PRO Web Edition is attached hereto as Exhibit A.

c) Each party shall act as an independent contractor and shall have no authority to make or accept any representations or offers on the other's behalf.

d) This Agreement has been made in and shall be construed and enforced in accordance with the laws of the State of Nevada. Any action to enforce this Agreement shall be brought in the federal or state courts located in Reno, NV.

e) If you need to send official correspondence, send it via certified mail return receipt requested to:

eduverse.com
Suite 209, 1135 Terminal Way
Reno, NV, US 89502
Attn: General Counsel

f) The terms and conditions of this Agreement represent the entire understanding between eduverse.com and you with respect to the subject matter of this Agreement, and supersede all prior and contemporaneous agreements express or implied, oral or written, except as herein contained. You may not modify or amend this Agreement other than by an agreement in writing signed by both eduverse.com and you.

I represent that I am an officer or other authorized representative of the Company with the power to enter into this Agreement on behalf of the Company. I have read and understood this Agreement and agree that the Company shall be bound by all of its terms and conditions.

COMPANY		eduverse.com
- - - - -		
		/s/ Mark E. Bruk
Per: - - - - -		- - - - -
- - - - -		President & CEO
Print Name		
- - - - -		
Print Title		Date
- - - - -		
Date		

EDIVERSE ACCELERATED LEARNING SYSTEMS (CANADA), INC.

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

THIS AGREEMENT is dated for reference the 3rd day of May 1999.

BETWEEN

EDIVERSE Accelerated Learning Systems (Canada), Inc., a company incorporated under the laws of the Province of British Columbia and having an office at 2nd Floor, 1235 West Pender Street, Vancouver, British Columbia, V6E 2V6.

(hereinafter referred to as the "Company")

AND

----- having an address for notice at -----
-----.

(hereinafter referred to as the "Employee")

WHEREAS:

A. The Company is principally engaged in the business of researching, developing and marketing multimedia educational software products (the "Company's Business");

B. The Employee has been hired by the Company to work in the Company's Business;

C. The Employee and the Company wish to incorporate all of the terms of this Agreement into the contract of employment between them;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the Company agreeing to employ the Employee and the Employee agreeing to work for the Company, the parties agree as follows:

1. Trade Secrets. The Employee understands that in the performance of his/her job duties with the Company, he/she will be exposed to the Trade Secrets of the Company. The term "Trade Secrets" means technical information or material that is commercially valuable to the Company and not generally known in the industry. This includes, without limiting the generality of the foregoing, the following:

(a) any and all versions of the Company's proprietary computer software (including source code and object code), hardware, firm-ware and documentation;

(b) technical information concerning the Company's products, processes and services, including product and process data and specifications, diagrams, flow charts drawings, test results, know-how, inventions, research projects and product development; and

product and process data and specifications, diagrams, flow charts drawings, test results, know-how, inventions, research projects and product development; and

(c) any and all versions of proprietary software which the Company is entitled to use in the Company's Business.

2. Confidential Information. The Employee understands that in the performance of his/her job duties with the Company, he/she will be exposed to Confidential Information of the Company. The term "Confidential Information" means non-technical information or material that is commercially valuable to the Company and not generally known in the industry. This includes, without limiting the generality of the foregoing, the following;

(a) information concerning the Company's Business, including cost information, profits, sales information, accounting and unpublished financial information, business plans, markets and marketing methods, customer lists and customer information, purchasing techniques, supplier lists and supplier information, and advertising strategies;

(b) information concerning the Company's employees, including their salaries, strengths, weaknesses and skills;

(c) information submitted by the Company's customers, suppliers, employees, consultants or co-venturers with the Company for study, evaluation or use;

(d) any other information not generally known to the public which, if misused or disclosed, could reasonably be expected to adversely affect the Company's business.

3. Nondisclosure of Trade Secrets. The Employee will keep the Company's Trade Secrets, whether or not prepared or developed by the Employee, in the strictest confidence. He/she will not use or disclose such Trade Secrets to others without the Company's prior written consent. The Company may for any reason withhold its consent to disclosure of Trade Secrets by the Employee.
4. Nondisclosure of Confidential Information. The Employee will keep the Company's Confidential Information, whether or not prepared or developed by the Employee, in the strictest confidence. He/she will not use or disclose such Confidential Information to others without the Company's prior written consent. The Company may for any reason withhold its consent to disclosure of Confidential Information by the Employee.
5. Confidential Information of Others. The Employee will not disclose to the Company, use in the Company's Business, or cause the Company to use, any information or material that is confidential information or a trade secret of others.
6. Return of Materials. When the Employee's employment with the Company ends, for whatever reason, he/she will promptly deliver to the Company all originals and copies of all documents, records, computer hardware, computer software programs, media and other materials containing any of the Company's Trade Secrets or Confidential Information. He/she will also return to the Company all equipment, files, software programs, letterhead & business cards and other personal property belonging to the Company.
8. Confidential Information Confidentiality Obligation Survives Employment. The Employee understands and agrees that his/her obligation to maintain the confidentiality and security of the Company's Confidential Information will remain binding upon him/her even after his/her employment with the Company ends and continues for so long as such material remains Confidential Information.

9. Disclosure of Developments. While the Employee is employed by the Company he/she will promptly inform the Company of the full details of all his/her inventions, discoveries, improvements, innovations, ideas, products and processes (collectively called "Developments"), whether or not patentable, copyrightable, or otherwise protectable, that he/she conceives, completes, or reduces to practice, (whether jointly or with others), in the course of his/her employment and which:
- (a) relate to the Company's Business as presently carried on or as carried on in the future or which relate to the Company's or prospective business, or actual or demonstrably anticipated research and development of the Company;
 - (b) result from any work he/she does using any equipment, facilities, materials, Trade Secrets, Confidential Information or personnel of the Company; or
 - (c) result from or are suggested by any work that he/she may do for the Company.
10. Assignment of Rights. The Employee acknowledges and agrees that the Company or the Company's designee retains all rights, titles and interests in the Developments which arise during the course of his/her employment with the Company. Accordingly, the Employee hereby assigns and relinquishes to the Company or the Company's designee, any and all right, title and interest in all:
- (a) patent rights,
 - (b) copyrights,
 - (c) trade secret rights, and
 - (d) work rights,
- (collectively called "Rights") which arise with respect to the Developments.
11. Execution of Documents. The Employee agrees to promptly execute written assignments of specific Rights and such other documents as are properly required to enable the Company to obtain, maintain, and enforce patents, copyrights, and work right registrations relating to the Developments, when so requested by the Company from time to time. In the event the Company is unable, after reasonable effort, to secure the Employee's signature on any such document, whether because of any physical or mental incapacity or for any other reason whatsoever, the Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as his/her agent and attorney-in-fact to act for and in his/her behalf and stead to execute and file any patent, copyright and work right application relating to the Developments and to do all other lawfully permitted acts to further the prosecution, issuance, maintenance and enforcement of letters, patent, copyright, and work right thereon with the same legal force and effect as if executed by the Employee.
12. Conflict of Interest. During the Employee's employment by the Company, he/she will not engage in any business activity competitive with the Company's Business as presently carried on or as carried on in the future nor will he/she engage in any other activities that conflict with the best interests of the Company or which interfere with the effective performance of

his/her employment duties, save and except as expressly consented to in writing by the Company.

13. Post-employment Non-competition Agreement. The Employee understands that during his/her employment by the Company he/she may become familiar with the Confidential Information and Trade Secrets of the Company. Therefore, it is possible that he/she could gravely harm the Company if he/she worked for a competitor. Accordingly, he/she agrees for 6 months following the end of his/her employment with the Company not to engage in, or contribute his/her knowledge to any work that is competitive or functionally similar to any Developments or to a service or product on which he/she worked while with the Company at any time during the 12 months immediately before his/her employment with the Company ended. The Employee further agrees that during the 6 months following the end of his/her employment with the Company he/she will not compete with the Company's Business, directly or indirectly (it being understood that competition includes the design, development, production, promotion or sale of products or services competitive with those marketed, developed or supported in the Company's Business) and that he/she will not divert or attempt to divert from the Company any business the Company enjoyed or solicited from their customers during the 12 months prior to the termination of his/her employment. For the purposes of this section, the post-employment restrictions on the Employee shall apply in all regions of the world (collectively called "Market Territories").

The Employee acknowledges and agrees that the hardware and software developed by the Company is, or is intended to be, distributed to customers throughout the Market Territories. Accordingly, he/she agrees that these restrictions on his/her post-employment activities shall apply throughout the Market Territories. The Employee further agrees that the time and territories restrictions set out herein are fair and reasonable for the protection of the Company's interests and hereby waives his/her right to use as a defense to any action brought against him/her hereunder that the time and territorial restrictions are unreasonable in scope or length. In the event that a court of competent jurisdiction finds any subsection or subsections dealing with the territorial restriction of this section to be unenforceable, then that subsection or subsections as the case may be, shall be severed from this Agreement and the remaining subsections shall remain in effect.

14. Noninterference with the Company Employees. While employed by the Company and for 6 months afterwards, the Employee agrees that he/she will not induce, or attempt to induce, any Company employee to quit the Company's employ or recruit or hire away any Company employee.
15. Enforcement. The Employee acknowledges and agrees that in the event of a breach or threatened breach of this Agreement, money damages would be an inadequate remedy and extremely difficult to measure. The Employee therefore agrees that the Company shall be entitled to an injunction to restrain the Employee for such breach or threatened breach. In addition, any breach or threatened breach of this Agreement will result in the Company taking disciplinary action against the Employee up to and including termination of employment. Nothing in this Agreement shall be construed as preventing the Company from pursuing any remedy at law or in equity for any breach or threatened breach.
16. Effective Date. It was understood and agreed between the Company and the Employee when the Employee commenced his/her employment with the Company that an agreement substantially similar to this Agreement was a condition of employment. The Employee and Company hereby incorporate all of the terms of this Agreement into the contract of

employment between them and further agree that the terms of this Agreement are incorporated effective as of the entering into of the said contract of employment by the Employee and Company.

17. Notices. Except as otherwise expressly provided herein, any and all notices or demands which must or may be given hereunder or under any other instrument contemplated hereby shall be given by delivery in person or by regular mail or by facsimile transmission to the parties' respective address set out on the first page of this Agreement. All such communications, notices or presentations and demands provided for herein shall be deemed to have been delivered when actually delivered in person to the respective party, or if mailed, then on the date it would be delivered in the ordinary course of mail, or if sent by facsimile transmission, on the date of receipt of confirmation that the transmission has been received. Any party may change its address hereunder on twenty days notice to the other party in compliance with this section.
18. Severability. If any provision of this Agreement is wholly or partially unenforceable for any reason, such unenforceable provision shall be severed from the whole thereby preserving the enforceability to the balance of this Agreement, and all provisions of this Agreement shall, if alternative interpretations are applicable, be construed so as to preserve the enforceability thereof.
19. General. Time will be of the essence hereof. The Employee acknowledges and declares that he/she has been provided with sufficient time and opportunity to consider all factors relating to this Agreement, has retained and consulted independent counsel to advise him/her, or in the alternative has elected to waive his/her right to retain and consult independent counsel he/she further acknowledges and declares that he/she has read and understands the terms of this Agreement and has signed it voluntarily with full awareness of its consequences. This Agreement may not be assigned by the Employee without the express written consent of the Company. Wherever the singular, masculine, or neuter is used in this Agreement, the same shall be construed as meaning the plural or feminine, and visa versa, where the context or the parties so require. The headings used herein are for convenience of reference only and shall not affect the interpretation of this Agreement. Facsimile or photostatic copies of signatures are acceptable and are of the same force and effect as original signatures for all intents and purposes. The waiver by either party of any breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach. The provisions of this Agreement shall survive any termination of the contract of employment, which embodies this Agreement. This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. The preambles or recitals hereto are hereby incorporated herein and form an integral part of this Agreement. This Agreement shall enure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

IN WITNESS WHEREOF the parties hereto have duly executed this agreement under seal as of the date first above written.

EDUVERSE ACCELERATED LEARNING
SYSTEMS (CANADA), INC.

(Authorized Signature)

SIGNED, SEALED and DELIVERED by
the Employee in the presence of:

Signature

Name

Address

Occupation

Signature of Employee

Date Signed

[COMPANY LOGO]

EDUVERSE Accelerated Learning Systems, Inc.

Please review the following terms of the freeENGLISH Affiliate Program Agreement for Governments & Ministries.

freeENGLISH Non-Exclusive Linking Agreement

This Agreement is between EDUVERSE Accelerated Learning Systems, Inc. ("EDUVERSE"), and you, the company ("you" or "Company"), and relates to your company's participation in the freeENGLISH Affiliate Program ("Program") and links from your company's web site to the www.freeENGLISH.com web site ("freeENGLISH").

1. Program Links

- a) You can link your site to any areas within freeENGLISH using specified URLs and links which will be provided by EDUVERSE upon the acceptance of your application into the Program. There is no limit to the number of links to freeENGLISH that you can post on your site. You may add or remove links at your discretion. You may decide where to link within freeENGLISH, and where to post the links on your site.
- b) You may not use any links to freeENGLISH which were not provided by EDUVERSE without prior written approval by EDUVERSE. EDUVERSE will not be responsible for paying commissions to you for gross revenues generated from a user entering freeENGLISH from your site if you have not properly implemented the links and the URLs as specified by EDUVERSE. It is your responsibility to notify EDUVERSE of any malfunctioning of the link or any other problems with your participation in the Program.
- c) EDUVERSE will provide you with a link on freeENGLISH that allows visitors from your site to return to the URL of the site you registered for the Program. EDUVERSE will remove this link upon your request. EDUVERSE may also remove this link at any time, at its sole discretion.
- d) As a Program member, you may not promote your freeENGLISH links through unsolicited emailing (i.e. spamming) and newsgroup postings.

2. Tracking your Commissions

- a) During the period of your participation in the Program and subsequent to your active participation in the Program, EDUVERSE will pay you a 15% commission for all gross revenues generated from a user who initially entered freeENGLISH directly through an EDUVERSE designated link on your site and who later entered freeENGLISH either through the freeENGLISH application, the same link or through another link, using the same USERID as when the user initially entered freeENGLISH.

"Gross Revenues" means the gross amounts received by EDUVERSE from the sale of advertisements, which advertisements were displayed to your users, and from the sale of products and services through affiliate programs established by EDUVERSE, which products and services were sold to your users.

- b) EDUVERSE will electronically track the users that have visited freeENGLISH from your site and will allow you to monitor the tracking. All determinations of the commissions will be made by EDUVERSE's in-house accountant or its regularly engaged independent certified public accountant, which determination shall be final and binding on the parties hereto. Payments will be made in U.S. dollars within thirty (30) days after the close of each calendar quarter for advertising

freeENGLISH Affiliate Program Agreement

Page 1

revenues collected during the prior calendar quarter, unless such payment amount is less than \$100.00. Payments of less than \$100.00 shall be carried over to each following calendar quarter and shall be made within thirty (30) days after the close of the calendar quarter in which the accumulated payment amounts equal \$100.00 or more. Notwithstanding the foregoing, all payments shall be made within thirty (30) days after the date of the calendar year for amounts collected during the prior calendar year or within thirty (30) days after the termination of this Agreement, whichever occurs first.

- c) Within thirty (30) days after the end of each calendar month, EDUVERSE will make available to you a report listing the number of users during the preceding calendar month, the Gross Revenues collected and the commission due you.
- d) EDUVERSE will maintain books and records of Gross Revenues derived from your users, in accordance with Generally Accepted Accounting

Principles. On an annual basis, EDUVERSE shall engage at EDUVERSE's own expense, an independent auditor to certify EDUVERSE's compliance with the terms of this agreement and amount and accuracy of payments to you made under this Agreement.

3. freeENGLISH Site Policy

- a) EDUVERSE shall have the sole right and responsibility for determining the advertising pricing policy on FreeENGLISH. All advertisements shall be subject to acceptance by EDUVERSE, in its sole discretion. All advertisements accepted shall be subject to the terms and conditions of EDUVERSE's then current terms and conditions of advertising. Such terms may be changed at any time, without notice to you. EDUVERSE shall have no obligation to advertise any company's products or services. Prices for advertisements shall be set solely by EDUVERSE and shall be consistent with prices for freeENGLISH advertisements in similar geographic regions. EDUVERSE reserves the right to change its prices at any time, without notice to you or advertisers.
- b) All advertisements accepted by EDUVERSE will then be submitted to you for your approval, which approval will not be unreasonably withheld. If approval is not received by EDUVERSE within seventy-two (72) hours of submission of the advertisement(s) to you, EDUVERSE will consider the advertisement(s) to be approved by you and you will have no recourse against EDUVERSE for said advertisement(s) being used within the Program.
- c) You agree not to make any representations, warranties or other statements concerning any customer service matter, including freeENGLISH policies, advertising availability and/or pricing without the prior written consent of EDUVERSE and EDUVERSE is not responsible or liable in any manner for any such statements.

4. Special Promotions

You acknowledge that in the event that you and EDUVERSE enter into any special marketing and promotional activities not set forth in this Agreement, there may be additional costs associated with such activities. You and EDUVERSE shall agree in advance in a written promotion schedule (signed by an authorized representative of EDUVERSE and your Company) as to the scope of such special marketing and promotional activities and the amount of funds and/or other resources to be contributed to such activities by you and EDUVERSE. Any and all promotion schedules shall be deemed appended to this Agreement.

5. Site Qualification

We may exclude sites that we feel do not qualify for participation in the Program because those sites:

- a) promote sexually explicit material,
- b) promote violence,
- c) promote illegal activities,
- d) promote discrimination based on race, sex, religion, national origin, physical disability, sexual orientation or age, or
- e) violate intellectual property rights of others.

6. Scope of Agreement

- a) Participation in the Program constitutes your agreement to be bound by the terms and conditions of this Agreement. EDUVERSE reserves the right, at its discretion, to change, modify, add or delete any portion of this Agreement at any time. Notification of changes to this Agreement will be posted in the Member's Section of the Program.
- b) If the terms or conditions of this Agreement in its current form or any future changes to this Agreement are unacceptable to you, or cause you to no longer be in compliance with the Agreement, you may terminate your participation in the Program by ceasing use of the freeENGLISH links and URL(s) and promptly notifying EDUVERSE of the same (see Section 9 regarding termination).
- c) EDUVERSE may change, suspend or discontinue any aspect of the Program at any time, including the availability of any Program feature, database, or content, with thirty (30) days written notice.

7. Licensing; Ownership

- a) EDUVERSE grants you a revocable, limited, non-exclusive license to use the name, logos, trademarks, service marks, trade dress, proprietary technology, graphic banners or other information (the "EDUVERSE Intellectual Property"), as provided by EDUVERSE during the registration process, on your site for the sole purpose of creating a link from your site to freeENGLISH during your participation in the Program. You may not use the EDUVERSE Intellectual Property for any other purpose. Upon termination of this Agreement, you shall immediately terminate the use of the EDUVERSE Intellectual Property. Except as expressly set forth in this Agreement, you may not copy, distribute, modify, reverse engineer, or create derivative works from the EDUVERSE Intellectual Property.
- b) You grant EDUVERSE a revocable, non-exclusive, worldwide, royalty-free license to use any of your names, logos, trademarks, service marks, trade dress, proprietary technology, graphic banners or other information ("Your Intellectual Property"), submitted by you for participation in this Program as reasonably necessary to perform its obligations under this Agreement. EDUVERSE may not use Your Intellectual Property for any other purpose. Upon termination of this Agreement, EDUVERSE shall immediately terminate the use of Your Intellectual Property. Except as expressly set forth in this Agreement, EDUVERSE may not copy, distribute modify, reverse engineer, or create derivative works from Your Intellectual Property.

- c) Each party owns and shall retain all right, title and interest in its names, logos, trademarks, service marks, trade dress, copyrights and proprietary technology including without limitation, those names, logos, trademarks, service marks, trade dress, copyrights and proprietary technology currently used or which may be developed and/or used by it in the future. The goodwill associated with the use of the same shall inure solely to the benefit of the owning party.

8. Image Scans

In the event that EDUVERSE provides you with access to designated digitally scanned images displayed on freeENGLISH, you agree to display the scans in their entirety and to limit your use of the scans to the advertisement or review of the displayed images in accordance with the U.S. Copyright Act. Should you desire to modify or use the scans in a manner which is not in accordance with the U.S. Copyright Act, you agree to obtain the permission of the appropriate copyright holder prior to such modification or use. You understand and agree that you are solely responsible for compliance with the U.S. Copyright Act. In addition, you may not provide the digital scans to third parties without prior written permission from EDUVERSE. This grant of access to designated digitally scanned images shall not be construed to be a grant of access to use any other copyrighted materials, including, but not limited to reviews, articles, ad banners, photographs, images, illustrations, audio clips and video clips displayed on freeENGLISH without prior written permission from EDUVERSE.

9. Termination

- a) You may terminate your participation in the Program at any time by sending an email with the Subject "Cancellation," along with your account number to: affiliate@freeENGLISH.com. EDUVERSE will pay you all commissions accrued until the point of termination and on a quarterly basis thereafter, will continue to pay you all commission due to you for your users until such time as there are no active freeENGLISH users that had registered on freeENGLISH from a link on your web site during your active participation in the Program.
- b) With thirty (30) days written notice, EDUVERSE may, in its sole discretion, terminate or suspend your participation in the Program for any reason whatsoever, including, without limitation, breach of this Agreement or assignment of this Agreement or any portion of this Agreement by you without the prior written permission of EDUVERSE, and such termination notice may be sent by email to you. Subject to the foregoing restriction, this Agreement shall be binding upon you and EDUVERSE and your and EDUVERSE's respective heirs, executors, successors and assigns.
- c) Upon termination by either you or EDUVERSE, each of us will immediately revoke the license referred to in Section 7 of this Agreement and cease any and all use of the other's name, logos, trademarks, service marks, trade dress, proprietary technology and graphic banners or other information submitted or provided by the other party, and, promptly (within ten (10) days) of the effective date of termination return or destroy all assets (digital, proprietary or otherwise), including all whole or partial copies thereof, belonging to the other; and, upon request of the other, will certify the same in writing to the other.
- d) Sections 7(c), 9, 10 and 11 shall survive termination of this Agreement.

10. Your Representations; Indemnification

- a) You represent and warrant that any material that is displayed on your site and/or provided by you for display on freeENGLISH will not:

- i) infringe on any third party's copyright, patent, trademark, trade secret or other proprietary rights;
 - ii) violate any applicable law, statute, ordinance or regulation;
 - iii) be defamatory or libelous;
 - iv) violate any applicable pornography or obscenity laws;
 - v) promote violence or contain hate speech; or
 - vi) contain viruses, trojan horses, worms, time bombs, cancelbots or other similar harmful or deleterious programming routines.
- b) You agree to indemnify, defend and hold harmless EDUVERSE and its affiliates, directors, officers, employees and agents, from and against any and all liability, claim, loss, damage, injury or expense (including reasonable attorneys' fees) brought by a third party, arising out of a breach, or alleged breach, of any of your representations, warranties or obligations herein.

11. General Provisions

- a) freeENGLISH and the Program are provided on an "as is" basis without warranties of any kind, either express or implied, including, without limitation, warranties or implied warranties of merchantability or fitness for a particular purpose. In no event shall EDUVERSE be liable to you for any direct, indirect, special, exemplary, consequential or incidental damages, whether such damages are alleged in tort, contract or indemnity arising out of the use or inability to use the freeENGLISH, the failure for any reason to return users to your site or loss of data, even if EDUVERSE is informed of the possibility of such damages. In the event of dissatisfaction, your sole and exclusive remedy is to terminate participation in the Program. EDUVERSE is liable for any breach of this Agreement with respect to the payment of commissions due to you and with respect to the proper use of Your Intellectual Property as per this Agreement.
- b) EDUVERSE agrees to defend, indemnify and hold you harmless for any loss, damage or liability for any claimed infringement of any U.S. patent right, copyright and trade secrets, or other proprietary rights asserted by any third person arising out of your use of freeENGLISH or any EDUVERSE products, provided (1) that EDUVERSE is promptly notified in writing by you of any such claim against you, (2) that you authorize EDUVERSE to assume sole control over the defense of any such claim thereafter, together with the right to settle or compromise such claim, and (3) that you make available to EDUVERSE such information, assistance and authority as may be reasonably requested by EDUVERSE in order to enable EDUVERSE to defend any such claim. In the event any such claim is asserted, EDUVERSE shall have the right without limitation, at its option either (a) to obtain such rights and/or licenses from the claimant as may be necessary to enable you to continue using and/or marketing the EDUVERSE Products which are the subject of the claim, and/or (b) to modify the EDUVERSE Products with respect to which such claim is asserted so as to avoid further claimed infringement by such Person. EDUVERSE further agrees to indemnify and hold you harmless from and against any and all liabilities, costs, damages and expenses (including legal costs) arising out of or in connection with any issue for warranty. EDUVERSE agrees to indemnify you (including reasonable attorney's fees and costs of litigation) against and hold you harmless from any and all claims by any other party resulting from EDUVERSE's acts, omissions or representations, regardless of the form of action. A copy of EDUVERSE's current End Use License Agreement for freeENGLISH is attached hereto as Exhibit A.
- c) Each party shall act as an independent contractor and shall have no authority to make or accept any representations or offers on the other's behalf.

d) This Agreement has been made in and shall be construed and enforced in accordance with the laws of the State of Nevada. Any action to enforce this Agreement shall be brought in the federal or state courts located in Reno, NV.

e) If you need to send official correspondence, send it via certified mail return receipt requested to:

EDUVERSE Accelerated Learning Systems, Inc.
Suite 209, 1135 Terminal Way
Reno, NV US 89502
Attn: General Counsel

f) The terms and conditions of this Agreement represent the entire understanding between EDUVERSE and you with respect to the subject matter of this Agreement, and supersede all prior and contemporaneous agreements express or implied, oral or written, except as herein contained. You may not modify or amend this Agreement other than by an agreement in writing signed by both EDUVERSE and you.

I represent that I am an officer or other authorized representative of the Company with the power to enter into this Agreement on behalf of the Company. I have read and understood this Agreement and agree that the Company shall be bound by all of its terms and conditions.

COMPANY		eduverse.com
Ministry of University Affairs		
		/s/ Mark E. Bruk
Per: Songkram Luangtongkum		-----
Songkram Luangtongkum		President & CEO

Print Name		-----
Deputy Permanent Secretary for University Affairs		
-----		Date
Print Title		
May 20, 1999		

Date		

MEMORANDUM OF UNDERSTANDING

between

Ministry of University Affairs,
Kingdom of Thailand

and

EDUVERSE Accelerated Learning Systems (Canada), Inc.
Canada

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The Ministry of University Affairs (MUA) and Eduverse Accelerated Learning Systems (Canada), Inc. wishing to establish formal relationships between the two parties agree to cooperate on the development and deployment of distance educational software programs to enhance the educational experience of the students of Thailand.

Scope of Cooperation

The areas of cooperation will focus on the development of computer based distance educational software using EDUVERSE e-education technology.

- a. EDUVERSE will, at no cost, supply to The Ministry its English language pronunciation software known as ENGLISH PRO Web Edition.
- b. EDUVERSE will, at no cost to The Ministry, supply a file server(s) to be placed on the UniNet backbone to deliver ENGLISH PRO Web Edition software and course curriculum to schools and institutions connected to the UniNet network.
- c. EDUVERSE will insure, at no cost to The Ministry, acceptable performance of ENGLISH PRO Web Edition software on workstations connected throughout the Uninet network.
- d. EDUVERSE will provide, at no cost to The Ministry, the necessary support staff to maintain ENGLISH PRO Web Edition on the UniNet network and all ENGLISH PRO Web Edition product updates and improvements.
- e. The Ministry will provide, at no cost to EDUVERSE, adequate physical space and security for the EDUVERSE file server(s) on The Ministry's premises and throughout the UniNet network.
- f. The Ministry will provide, at no cost to EDUVERSE, assistance necessary for the installation of the ENGLISH PRO Web Edition software all workstations connected to the UniNet network.
- g. The Ministry will provide the necessary technical details to EDUVERSE as required to implement the ENGLISH PRO Web Edition software and curriculum.
- h. The Ministry will work with EDUVERSE to develop additional distance education course curriculum for The Ministry using EDUVERSE's unique e-education model to be deployed when completed in a similar manner to the deployment and arrangements concerning ENGLISH PRO Web Edition.
- i. The Ministry and EDUVERSE will develop computer based courses for Learning on Demand, for Lifelong Learning to strengthen the Ministry's Learning Resources Centers.

ENGLISH PRO Web Edition

ENGLISH PRO Web Edition is EDUVERSE's English language multimedia pronunciation software product. ENGLISH PRO Web Edition features: a Picture Dictionary; Phonetic Keyboard; Word Dictionary; Image Sound Effects; VPA (Visual Pronunciation Assistant); Record and Playback; Multimedia Lesson Introductions; Easy-to-use Navigation Buttons; and Multimedia Lesson Introduction including Detailed Information for each Sound describing the Movement of the Articulators.

ENGLISH PRO Web Edition uses a constructivist instruction approach based on an extension of the principles of the International Phonetic Alphabet (IPA) to the description of the sounds of the English language. ENGLISH PRO Web Edition introduces each of the English phonemes and their main contextual variants.

In Witness whereof, the parties hereto have affixed their signatures:

For EDUVERSE Accelerate Learning
Systems, Canada Inc.

For Office of the Permanent Security
Ministry of University Affairs

/s/ Marc Crimeni

/s/ Vanchai Sirichana

Mr. Marc Crimeni
Executive Vice President
EDUVERSE Accelerated Learning
Systems Canada Inc.

Dr. Vanchai Sirichana
Permanent Secretary
Ministry of University Affairs
Thailand

Witness:

/s/ Bernard Giroux

/s/ Prachuab Chaiyasarn

H.E. Mr. Bernard Giroux
Ambassador of Canada

H.E. Prachuab Chaiyasarn
Minister of University Affairs,
Thailand

15 July 1999
Ministry of University Affairs
Bangkok, Thailand

ALL INFORMATION PROPRIETARY, CONFIDENTIAL & PROPERTY OF TRI SYNERGY, INC.

MANUFACTURER'S REPRESENTATION AGREEMENT

This agreement is by and between Manufacturer: Eduverse Accelerated Learning Systems, Inc. of the address: 1135 Terminal Way, Suite 209, Reno, Nevada 89502 (hereinafter referred to as "Manufacturer" or "MGS") and TRI SYNERGY, Inc., of 91 Westland Ave., Suite 520, Boston, MA 02115 (hereinafter referred to as "TSI or "Representative"). WHEREAS, Manufacturer is in the business of developing and manufacturing software for sale to the business community and the general public;

WHEREAS, Representative is in the business of selling and marketing software to distributors, reseller and mass merchants, etc.;

WHEREAS, Manufacturer wishes to authorized Representative to sell and market Manufacturer's software, as defined in Exhibit B.

NOW, THEREFORE, the parties agree as follows:

1. Representation. Manufacturer hereby appoints TSI as its exclusive Representative and Public Relations Agent for the accounts within the territories and services defined by, or added to, Exhibit "A" that are attached hereto and incorporated herewith. Manufacturer and TSI may add territories and/or products to Exhibit A or B at any time so long as both parties agree. All additions and deletions are to be in writing, dated and signed by both parties. Manufacturer agrees and understands that Representative represents and will continue to represent other manufacturers or companies who are or may in the future be competitors of Manufacturer. It is understood by and between the parties hereto that such representation by Representative of competitors of Manufacturer does not create any conflict of interest or breach of the terms of the Agreement between the parties.
- 2) Representation Responsibilities. TSI is granted the exclusive right to represent Manufacturer and its products, as specified in Exhibit A, to software distributors, resellers and mass merchants, etc. ("Customers"). TSI must faithfully represent all products, claims, pricing and product viability as specified in writing by Manufacturer. All invoicing, product shipment, terms, handling, marketing and/or co-op authorization and support are the sole responsibility of the Manufacturer. TSI shall use its best efforts and good judgement to realize the highest possible sales for the products of Manufacturer. When requested by Manufacturer, TSI shall, within ten (10) business days following any request, submit a report on the progress of sales activities and sales projections; provided, however, that Manufacturer shall not make such requests more than one (1) time per quarter.
- 3) Commissions, Fees & Expenses. The parties have agreed that commission, monthly (initialed) fees and expenses as defined by Exhibit A and/or otherwise described herein will be paid to Representative by Manufacturer on all orders accepted and delivered by Manufacturer at such times and in the manner described in Paragraph 5 herein below.
- 4) Trade Shows and other Expenses. Manufacturer will have the option to participate in industry trade shows, retail and distributor sales meetings, entertainment and events with prior written (via fax or email) approval at a shared rate with other manufacturers. Checks payable for these events must be received by TSI no later than fourteen (14) days prior to the event. If Manufacturer requests Representative's participation that requires travel, Manufacturer shall book and pay for all related expenses of TSI. Manufacturer will pay for all mailings and freight expenses with prior written approval. If agreed upon expenses and fees have not been paid as agreed TSI, reserves the right to deduct such expenses and fees from any distributor payments made to Manufacturer by TSI.
- 5) Payment. In the event that Manufacturer is using TSI affiliate for distribution, commissions due Representative will be deducted from amounts paid to TSI from Distributors for all products covered by this agreement. Monthly fees shall be paid by Manufacturer to TSI and shall be received no later than the 1st (initialed) day of each month in advance. TSI shall not be required to invoice Manufacturer for any such amounts. If the

Initials Page 1 of 5 Initials
 ALL INFORMATION PROPRIETARY, CONFIDENTIAL & PROPERTY OF TRI SYNERGY, INC.

monthly fee payment has not been received by the due date TSI may deduct monthly fees and unpaid expenses from any payments made to Manufacturer by TSI as well as any accrued interest and/or late charges (see Paragraph 9). All checks will be payable to TSI and mailed to 91 Westland Ave. Suite #330, Boston, MA 02115 Attn: Shane Nestler. Any change to this information will be made in writing from TSI. In the event that the Manufacturer does direct billing and distribution, commissions due Representative will be paid with ten business days of payment received by Manufacturer without the requirement of delivery of an invoice.

- 6) Reporting. In the event that the Manufacturer does direct distribution, Manufacturer agrees to provide Representative with a written report on a monthly basis, showing in detail the sales made to the accounts covered by this agreement and commissions owed to Representative. Manufacturer also agrees simultaneously to provide copies of all invoices, notification of shipment and purchase orders for the month. This report shall be provided no later than ten (10) business days after the end of the month.

- 7) Term & Termination. The term of this agreement shall commence on the date indicated on the signature lines of this contract for an initial term of one (1) year, said term shall automatically renew in one (1) year increments unless written notice is sent by either party, properly addressed and postage prepaid (via certified mail) ninety (90) days prior to contract expiration. At any time after month seven (7) if there are not sufficient funds to deduct the monthly fee, Manufacturer may terminate this agreement with (30) thirty days written notice with commission payable for one hundred & eighty (180) days after the date of termination [on all product shipped and paid for in full prior to the end of 180 days (Initialed)]. Contract can be terminated or amended at any time with the written consent of all contract signatories. After an initial period of one (1) year, this contract can be terminated with ninety (90) days written notice with commission payable for one hundred & eighty (180) days after the date of termination [on all product shipped and paid for in full prior to the end of 180 days (Initialed)].
- 8) Late Charges and Liquidated Damages. If any amount payable to TSI under this agreement is not received by TSI within ten days of the date that such amount becomes first due (the "Due Date"), then such amount (the "Delinquent Amount") will bear interest from and after the Due Date until paid at an annual rate of interest equal to 25% (the "Default Rate"). In addition, Manufacturer will also pay to TSI a late payment collection-processing fee ("Late Fee") in an amount equal to 25% of the Delinquent Amount to defray the expense incident to the administration, processing and collection of the Delinquent Amount. Delinquent Amounts and that the Late Fee is a reasonable estimate by the parties for the actual amount of damage which will be incurred by Representative to collect Delinquent Amounts. From time to time, at the option of Representative, the Late Fee will be immediately payable when first due or will be added to the unpaid principal balance.
- 9) Attorney's Fees. If any arbitration, litigation, action, suit or other proceeding is instituted to remedy, prevent or obtain relief from a breach of this agreement in relation or pertaining to a declaration of rights under this agreement the prevailing party shall be entitled to recovery of all such party or parties' attorneys' fees incurred in each and every such action, suit or other proceeding, including any and all appeals or petitions therefrom. As used in this agreement "attorneys' fees" shall be deemed to be the full and actual costs of any legal services actually performed in connection with the matters involved, including those related to any appeal or the enforcement of any judgment, calculated on the basis of the usual fee charged by attorneys performing such services, and will not be limited to "reasonable attorneys' fees" as defined in any statute or rule of court.
- 10) Amendments/Waivers. This agreement may be amended, supplemented, modified or rescinded only through an express written instrument signed by all the parties or their respective successors and assigns.
- 11) Counterparts. This agreement may be executed in any number of counterparts, each of which will be deemed to be an original, but all of which together will constitute one and the same instrument.
- 12) Severability. Each provision of this agreement is intended to be severable and if any term or provision herein is deemed invalid or unenforceable for any reason, such illegality or invalidity will not affect the validity or the remainder of this agreement and, intent will be given to the invalid or unenforceable provision.
- 13) Entire Representative Agreement. This Representation Agreement, together with all Exhibits and Addendum contains the entire and complete understanding among the parties concerning its subject matter

and all representations, agreements, arrangements and understandings between the parties, whether oral or written, have been fully merged herein and are superseded hereby concerning sales, marketing and public relations. The Distribution Agreement is an entirely separate agreement.

- 14) Successors. This agreement will be binding upon and inure to the benefit of the parties and their respective heirs, legatees, legal representatives, successors and assigns.
- 15) Arbitration. This agreement will be interpreted in accordance with Connecticut law, including all matters of construction, validity, performance and enforcement, without giving effect to any principles of conflict of laws. Any dispute or proceeding concerning this agreement will be resolved by binding arbitration to be held in Norwalk, CT. All parties waive the right to a trial by jury of any claim or controversy arising under this agreement. Any party may demand arbitration through written notice sent by certified mail to the other (an "Arbitration Demand"). Within 15 days after the date that the Arbitration demand is first mailed, each of the parties will confer to select a mutually acceptable arbitrator in the state of Connecticut. In the event that neither are able to do so, then each party shall, within five (5) days following the expiration of such fifteen (15) day period, select an arbitrator and the two arbitrators, within five (5) days thereafter, shall select a third arbitrator. The venue for all issues will be the state of Connecticut.
- 16) Interpretation. The language in all parts of this agreement will be in all cases construed simply according to its fair meaning and not strictly for or against any party. Whenever the context requires all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the sections of this agreement are fully incorporated into this agreement by reference. Unless expressly set forth otherwise herein, all references herein to a "day," "month" or "year" will be deemed to be a reference to a calendar day, month or year, as the case may be. No portion of this agreement will inure to the benefit of any party whatsoever other than the signatories. All cross-references herein will refer to provisions within this agreement, and will not be deemed to be references to the overall transaction or to any other agreement or document.
- 17) Force Majeure. Neither party shall be liable for any failure to perform under this Agreement resulting from any case beyond the reasonable control of that party, including, but not limited to, an act of God; accident; telephone service provider problem; war; fire; lockout; strike or labor dispute; riot or civil commotion; act of public enemy; enactment, rule, order or act of a civil or military authority; or acts or omissions of the other party.
- 18) Independent Contractor. Representative is and shall be an independent contractor. Nothing herein contained in this Agreement shall be construed so as to create a partnership or joint venture and neither party hereto shall be liable for the debts or obligations of the other. No employee of Representative shall be deemed to be an employee of the Manufacturer. The Manufacturer shall not have the power to hire or fire employees and, except as expressly provided herein, the Manufacturer may not control or have access to Representative funds or the expenditure thereof, or in any other way exercised dominion or control over Representative's business.

IN WITNESS WHEREOF, the parties signing below are legally authorized to and have elected to execute this agreement as of the date filled in below:

Manufacturer: Eduverse Accelerated
Learning Systems, Inc.
By: Mark Bruk
Signature: X /s/ Mark Bruk
Title: President & CEO
Date: March 1, 1999

Representative: TRI SYNERGY, Inc.
By: Tamra Anne Nestler
Signature: X /s/ Tamra Anne Nestler
Title: President & CEO
Date: March 1, 1999

Initials

Page 3 of 5

Initials

ALL INFORMATION PROPRIETARY, CONFIDENTIAL & PROPERTY OF TRI SYNERGY, INC.

Exhibit A
Territory, Accounts, and Commissions

1. Contract Territory. U.S. and Canada.
2. Accounts. Commission will be paid to Tri Synergy, Inc. for all sales through Navarre and all other distributors or retailers or other accounts added by name and in writing (or via email) to this Exhibit by both parties.
3. Commissions and Fees. The parties have agreed that Manufacturer will pay commissions to Tri Synergy, Inc. on all paid invoices for all sales on a gross basis.
4. Commission. Commissions of 10% of gross sales will be paid to Tri Synergy, Inc. on paid invoices for gross sales on all orders accepted and delivered by Manufacturer, Manufacturer will pay these commission on gross sales with no deductions whatsoever. Any exclusion to this commission structure will be made in writing, signed and agreed to by both parties and make part of Exhibit A. Minimum commissions will be paid of \$2.00 per box or \$1.00 per jewel case when normal 10% commission rate is lower than these amounts.
5. Monthly Sales, Marketing and Public Relations Fees and Expenses. A monthly consulting and public relations fee will be paid to Tri Synergy, Inc. as defined in Exhibit C in addition to the commissions and expenses. It is further agreed that once Publisher has more than one title the monthly fee will be raised to \$5000 (five thousand dollars) with the start date to be mutually acceptable for this increase. This fee for months #4,5 and 6 shall be paid in advance each month and shall be received by the Boston office of Tri Synergy, Inc. no later than the 1st day of each month with the first payment due on the execution date of this Agreement. This monthly fee shall be paid automatically and not require any invoicing by Tri Synergy, Inc. Beginning with the seventh month and providing there is sufficient payable invoices through Distribution (Navarre) the monthly fee shall be deducted from monies paid from TSI to Eduverse. If during any subsequent month there are not sufficient funds to deduct the monthly fee, Eduverse agrees to revert back to the original payment agreement. All sales, marketing and public relations expenses including but not limited to: mailings, entertainment, travel, fax broadcasts, wire broadcasts, mileage, transportation, meals and lodging will be reimbursed or prepaid by Manufacturer. For reimbursement of expenses, TSI must submit to Manufacturer an invoice and an expense report including copies of receipts or credit card statements (cash expenses will not require a receipt), meeting description and purpose of the trip and a copy of the written or email pre-approval authorization for the expense. Approximate expense costs will be submitted for pre-approval in writing or via email to Manufacturer. It is understood that the approximation is not an exact figure and the actual expensed amount may be higher or lower than the approximation and that Manufacturer will pay the actual amount of the expenses incurred. All pre-approved expenses shall be paid within ten days of invoice. Trade show fees agreed to in writing or via email shall be paid fourteen days in advance and require no expense report. Press Tours shall be prepaid at a rate of \$500 (five hundred dollars) per day in addition to airline tickets and transportation to and from airport and hotel. The \$500 per day fee shall commence on the date of departure to destination city and shall be paid through the date of departure/return.
6. All payments in relation to this contract will be made in US Dollars.
7. Any and all expenses shall be pre-approved if done so via email, certified mail, fax or prepayment.
8. Either party can cancel this contract if TSI fails to deliver purchase orders equal to at least 1000 units within 120 days from product mailing date.

Initials

Page 4 of 5

Initials

ALL INFORMATION PROPRIETARY, CONFIDENTIAL & PROPERTY OF TRI SYNERGY, INC.

Exhibit B
Product List

Manufacturer hereby authorizes Representative as exclusive agent in the Territory as defined in Exhibit A of this Manufacturer's Representation Agreement to sell and market all current and future software product(s). The following software product(s), and the platform that they are available on, are being made available to Tri Synergy, Inc. to market and sell by the terms listed in this Manufacturer's Representation Agreement and the Exhibits hereto. All other Manufacturer's titles will be automatically added to this list and additions do not need to be made in writing to be commissionable.

All titles released by Manufacturer within the term of this contract will be included in this contract. Initial titles will be:

CD ROM/ 3.5
ENGLISH Pro 6.2 Shrink Wrapped Product

Initials

Page 5 of 5

Initials

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Exhibit C

Monthly fee payment schedule:

Period / Date	Prepaid Payment	Payment out of Sell Through
Month 1	\$4,000	\$3,000
Month 2	\$0	\$3,000
Month 3	\$2,000	\$3,000
Month 4	\$4,000	\$0
Month 5	\$4,000	\$0
Month 6	\$4,000	\$0
Month 7	\$0	\$4,000
Month 8	\$0	\$4,000
Month 9	\$0	\$4,000
Month 10	\$0	\$4,000
Month 11	\$0	\$4,000
Month 12 *	\$0	\$4,000

* All subsequent months will be at the month 12 rate unless some new rate applies. Per Exhibit A, once Eduverse has more than one title for TSI to represent the monthly rate increases to \$5000. All funds are USD.

Initials

Page 6 of 5

Initials

ALL INFORMATION PROPRIETARY, CONFIDENTIAL & PROPERTY OF TRI SYNERGY, INC.

TSI Distribution Agreement

By and Between

Tri Synergy, Inc. (Hereafter known as TSI or Representative) of
91 Westland Ave., Suite 330
Boston, MA 02215

And

Eduverse Accelerated Learning Systems, Inc. (Hereafter known as Manufacturer) of
1135 Terminal Way, Suite 209
Reno, Nevada 89502

For Distribution through Navarre Corporation (Hereafter known as Distributor/s)

- 1) Fees and Commissions. This agreement will confirm that Manufacturer agrees to pay TSI an initial fee of \$1000.00 (one thousand dollars) per product, per distributor, once distributor is approved in writing by Manufacturer, in addition to a 15% (fifteen percent) commission on gross sales as defined herein for arranging the distribution of products (See Attachment A) through Distributor. Manufacturer agrees to pay an initial fee of \$1000.00 for each product. The initial fee of \$1000 per product shall be prepaid upon contract execution or the addition of each new product, as applicable. Manufacturer understands and acknowledges that the distribution fee and the distribution commissions are entirely separate from the sales commissions and fees as contained in the Manufacturer's Representation Agreement. In the event that Manufacturer chooses to distribute to Ingram through TSI a fee of \$1000 per month shall be paid in advance by Manufacturer to Ingram. The commission percentage is applied to "gross sales" which, for the purpose of this Agreement shall be defined as the wholesale price to the Distributor and shall be paid on all product shipped on a gross basis. It is in addition to all other deductions and from time to time may request additional percentage discounts and/or marketing allowances for specific retailers. Once approved in writing by the Manufacturer all contract deductions and marketing requests will be the sole responsibility of the Manufacturer and are in addition to the initial fees and the commission.
- 2) Purchase Orders and Freight. Distributor will issue purchase orders to TSI and TSI will forward via fax to Manufacturer. Manufacturer will then initial and return the purchase order via fax to TSI (617) 267-1576 Attn.: Shane Nestler. Manufacturer is responsible for all freight charges. Manufacturer shall follow attached Distributor Routing Guide(s). All purchase orders must be shipped freight prepaid by Manufacturer (F.O.B. destination) and must be received by the due date referenced on the purchase order. A packing list showing Distributor purchase order number, quantity ordered, quantity shipped and a detailed identification of the products must accompany all shipments. Any violation of Distributor Routing Guide (attached) or inaccuracy of freight or date of receipt will result in penalties and/or charges by Distributor and will be the sole responsibility of the Manufacturer. Manufacturer shall furnish to TSI proof of delivery of each shipment along with a copy of the applicable purchase order within ten (10) business days following the date of shipment.
- 3) Product Submission Forms. Upon the request of TSI Manufacturer will fill out a Product Submission Form for each product with UPC code, dimensions, weight and case pack quantity. Any violation or inaccuracy of these items will result in penalties and/or charges by Distributor and will be the sole responsibility of the Manufacturer. Once a Product Submission Form is submitted to TSI by Manufacturer said product will be considered added to the Attachment A, Product List and all Agreement terms apply.
- 4) Returns. In the event of any returns by customers or retailers of any defective or incomplete products under this agreement TSI shall deduct a \$1.25 handling fee per product returned. Manufacturer is responsible for all return freight for all returned product in addition to the returns handling fee.

- 5) Payments. All Distributor and Retail deductions will be in turn deducted from payments to Manufacturer. All TSI Distributor contracts have Net 60 terms. Manufacturer acknowledges that these are the contractual terms and not the actual payment terms. Actual payment terms depend on multiple variables such as: sales, placement, cash flow, history and season. TSI will remit payment (less TSI commission, price protections, returns, defectives, Distributor contract deductions and Retail marketing, co-op, rebated and contractual deductions) to Manufacturer within ten business days of receipt of payment from Distributor. No funds are due Manufacturer unless Distributor makes payment to TSI.
- 6) Contact. Manufacturer agrees to have no direct contact with Distributor and to direct all questions to TSI.
- 7) Factoring. Manufacturer agrees not to factor TSI, Navarre, Ingram or GT invoices or purchase orders without the express written consent of TSI.
- 8) Advertising & Marketing. Manufacturer is responsible for all advertising and/or marketing costs involved with Distribution and sale of their products. All Retail marketing approved by Manufacturer must be paid in advance by Manufacturer unless otherwise agreed to in writing by TSI. Manufacturer will supply TSI and/or Distributor with promotional samples at no charge as requested by TSI.
- 9) Technical Support. Manufacturer recognizes and agrees to provide the customers and retailers with technical support at Manufacturers expense.
- 10) Distributor Bankruptcy. In the event that a Distributor or Retailer should declare any type of bankruptcy, TSI is indemnified and held harmless by Manufacturer. TSI is only required to pay Manufacturer on invoices paid by Distributor to TSI. If invoices are uncollected or uncollectable due to insolvency or bankruptcy of distributor, TSI is released from all financial obligations on effected invoices. However, monies or a portion of monies are still due if any bankruptcy settlement is made in the future with appropriate percentage discounts applied. TSI will make best efforts to file claims and to collect on outstanding invoices as are permitted under applicable bankruptcy laws.
- 11) End User Claims. Manufacturer shall have sole and exclusive responsibility for the intellectual content of the Product. Manufacturer shall defend, indemnify and hold harmless TSI from and against any and all claims, demands, actions, suits and liabilities, including attorney fees, arbitration or court costs, arising out of the intellectual content of the Product as it appears on the CD ROM or other media as delivered to TSI or its customers from the Manufacturer. Manufacturer shall have sole and exclusive responsibility for the quality, merchantability and fitness of the physical Product including but not limited to the software. Manufacturer shall defend, indemnify and hold harmless TSI from and against any and all claims, demands, actions, suits and liabilities, including attorney fees, arbitration or court costs, arising out of any Product defect or omission in the computer program or documentation.
- 12) Indemnity, Warranty and Infringement of Proprietary Rights. Manufacturer warrants and represents that it owns all proprietary rights to, or is otherwise entitled to grant the licenses and rights for all of the matters covered under this agreement. Manufacturer shall defend, indemnify and hold harmless TSI from and against any and all claims, demands, actions, suits and liabilities, including attorney fees and arbitration or court costs, arising out of any assertion that any proprietary interest licensed under this agreement infringes upon the proprietary interest of another relating to distributed Product.

Manufacturer or its agent shall immediately notify TSI of any "bugs" or other program errors, which comes to its attention.
- 13) Partial Invalidity. If any term or provision of this Agreement or the application thereof of any person or circumstance shall to any extent be held invalid or unenforceable, the remainder of this Agreement

or the application of such term or provision to such person or circumstances other than those to which it has been held unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforced to the fullest extent of the law.

- 14) Independent Business. Nothing contained herein shall be deemed or construed as creating a joint venture or partnership by and between the parties.
- 15) Attorneys' Fees. In any action between the parties to enforce any of the terms of this Agreement or any other contract relating to this Agreement, the prevailing party shall be entitled to recover costs and expenses, including reasonable attorneys' fees.
- 16) Entire Agreement for Distribution. This Distribution Agreement, incorporating "Attachment A" and any subsequent duly authorized addendum(s), is the entire agreement of the parties. Any modification shall be in writing signed by both parties. The un-enforceability of any provision(s) of this agreement shall not invalidate the remaining provisions of this agreement. Either parties without the written consent of both parties may not assign this Agreement. Any assignment by either party without the other party's consent shall be void. This contract is for Distribution only; the Sales contract is entirely separate.
- 17) Arbitration. If at any time during the term of this Agreement any dispute, difference, or disagreement shall arise upon or in respect of the Agreement, and/or the meaning and construction hereof, every such dispute, difference, and disagreement shall be referred to a single arbiter agreed upon by the parties, or if no single arbiter can be agreed upon, an arbiter or arbiters shall be selected in accordance with the rules of the American Arbitration Association and such dispute, difference, or disagreement shall be settled by arbitration in accordance with the then prevailing commercial rules of the American Arbitration Association, and judgment upon the award rendered by the arbiter may be entered in any court having jurisdiction thereof. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut. The parties hereto consent to the jurisdiction and venue of the State of Connecticut and the County of Fairfield, Connecticut.
- 18) Term and Termination of Agreement. This term of this Agreement is for one (1) year and will automatically renew on an annual basis on the anniversary date unless either party gives 90 (ninety) day written notice. The Agreement can only be terminated during the initial one-year period if both the Manufacturer and TSI agree in writing.
- 19) Notice. Any notice provided for in this agreement shall be in writing, sent by certified or registered mail to the address of the party reflected in this, or to such other address for which notice is given under this agreement. If sent by mail, notice shall be effective upon receipt.
- 20) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one of the same instrument. This Agreement may be executed by telecopied or faxed signatures with the same effect as original signatures.

I have read this agreement and agree to abide by its terms and conditions:

Manufacturer: Eduverse Accelerated
Learning Systems, Inc.
Signature: /s/ Mark Bruk

Tri Synergy, Inc.

Signature: /s/ Tamra Nestler

Hereunto duly authorized
Print Name: Mark Bruk
Title: President & CEO
Date: March 1, 1999

Hereunto duly authorized
Print Name: Tamra Nestler
Title: President & CEO
Date: March 1, 1999

Distribution contract product list:

ENGLISH Pro 6.2 Shrink Wrapped Product

BOSWELL - ESL PRO SOFTWARE LICENSE AGREEMENT

THIS AGREEMENT made as of the 7th day of May, 1998

BETWEEN:

ESL PRO SYSTEMS INC., a Nevada company having an office at 1135 Terminal Way, Suite 209, Reno, Nevada 89502

(hereinafter referred to as "ESL Pro")

OF THE FIRST PART

AND:

BOSWELL INTERNATIONAL TECHNOLOGIES LTD., a British Columbia company having an office at 415 South Tower, 5811 Cooney Road, Richmond, British Columbia, Canada V6X 3M1

(hereinafter referred to as "Boswell International")

AND:

BOSWELL INDUSTRIES INC., a British Columbia company having an office at 415 South Tower, 5811 Cooney Road, Richmond, British Columbia, Canada V6X 3M1

(hereinafter referred to as "Boswell Industries")

(Boswell International and Boswell Industries are hereinafter collectively referred to as "Boswell")

OF THE SECOND PART

WHEREAS Boswell has developed and owns certain computer software;

AND WHEREAS ESL Pro desires to develop, distribute and sublicense software products based on Boswell's software and Boswell is willing to grant to ESL Pro an exclusive worldwide right to develop and distribute such software products on the terms and conditions set out in this Agreement.

NOW THEREFORE, in consideration of these premises and the mutual covenants contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Boswell - ESL Pro Software License Agreement

Page 1

1. INTERPRETATION

1.1 Definitions. In this Agreement, the following words and phrases shall have the following meanings:

(a) "Derived Works" shall mean any work based on the Software and/or Documentation which work contains code from the Software and/or text from the Documentation, including:

- (i) any revision, modification, translation, abridgement, condensation, expansion, or any other form in which the Software and/or Documentation may be recast, transformed, or adapted,
- (ii) any work consisting of editorial revisions, annotations, elaborations or other modifications to the Software and/or Documentation which, as a whole, represent an original work of authorship,
- (iii) any product in Object Code Form derived from any Derived Works, and
- (iv) any literature and other materials that together or separately are provided by ESL Pro to End Users that specify or describe the functions, characteristics, performance, structure, sequence, organization and operation of the Derived Works;

Derived Works shall not include any software or documentation that ESL Pro can establish:

- (i) is developed by or for ESL Pro independent of the Software and Documentation, or
 - (ii) is licensed or sub-licensed by ESL Pro from a third party;
- (b) "Documentation" shall mean the literature, programmer's notes and other materials set out in Schedule A to this Agreement provided by Boswell to ESL Pro that specify, describe or otherwise relate to the functions, characteristics, performance, structure, sequence, organization and operation of the Software;
- (c) "Effective Date" shall mean the 7th day of May, 1998;

- (d) "End User" shall mean the ultimate user of the Software or Derived Works and who has obtained such Software or Derived Works pursuant to a sublicense agreement;
- (e) "Initial Term" shall mean the nine (9) year, five (5) month period commencing on the Effective Date and ending on September 30, 2007;

- (f) "Market" shall mean the English as a Second Language market;
- (g) "Object Code Form" shall mean a form of computer software resulting from the translation of processing of the Source Code Form of such software by a computer into machine language or intermediate code, which is in a form that would not be convenient to human understanding of the program logic, but is appropriate for execution or interpretation by a computer;
- (h) "Recognized Stock Exchange" shall mean any recognized public market for the securities of the company, including but not limited to, the NASD Bulletin Board market in the United States.
- (i) "Renewal Term" shall mean any renewal term as set out in section 10.2;
- (j) "Reseller" shall mean any original equipment manufacturer (OEM), dealer, reseller, distributor or other entity authorized by ESL Pro to distribute and sublicense the Software or Derived Works to subdistributors or End Users;
- (k) "Software" shall mean the computer software described in Schedule A to this Agreement, including any modifications, enhancements or upgrades thereto developed by Boswell; and
- (l) "Source Code Form" shall mean a form of computer software in which a computer program's logic is easily deduced by a human being with skill in the art, such as a printed listing of the program or a form from which a printed listing can be easily generated.

2. GRANT OF LICENCE

- 2.1 Software Distribution Licence. Boswell hereby grants to ESL Pro, and ESL Pro hereby accepts, subject to the terms and conditions of this Agreement, the exclusive worldwide right to use, manufacture, copy, distribute, sell, market, lease, rent, operate, service and otherwise commercialize and exploit the Software, directly and through Resellers, in Object Code form, and the Documentation in the Market, with the right to exploit the same as a part of a Derived Work in the Market for the Initial term and any Renewal Terms thereafter.
- 2.2 Software Development Licence. Boswell hereby grants to ESL Pro, and ESL Pro hereby accepts, subject to the terms and conditions of this Agreement, the exclusive worldwide right to use, copy, revise, modify, translate, condense, expand, develop, add to, subtract from, change, improve, maintain and otherwise develop Derived Works from the Software and the Documentation, in either Object Code Form or Source Code Form, for the Initial Term and any Renewal Terms thereafter in the Market.
- 2.3 Right of First Refusal. Boswell hereby grants to ESL Pro, and ESL Pro hereby accepts, a right of first refusal to use, manufacture, copy, distribute, sell, market,

lease, rent, operate, service and otherwise commercialize and exploit the Software, in Object Code Form, and the Documentation at a royalty rate to be determined at the time the right is exercised, in the following markets not included in the Market:

- (a) Japanese as a Second Language;
- (b) Spanish as a Second Language;
- (c) French as a Second Language;
- (d) Chinese as a Second Language; and
- (e) any other languages being taught as a Second Language.

3. OWNERSHIP OF SOFTWARE AND DERIVED WORKS

3.1 Software. Subject to the terms and conditions of this Agreement, Boswell shall retain all right, title and interest in and to the Software and the Documentation and ESL Pro shall not have any ownership interest in any element, segment or component of the Software or the Documentation.

3.2 Derived Works. Subject to the terms and conditions of this Agreement, ESL Pro shall retain all right, title and interest in and to all Derived Works developed by or for ESL Pro, ESL Pro shall retain all right, title and interest in any patents, trademarks and copyrights awarded to ESL Pro in respect of such Derived Works, and Boswell shall not have any ownership interest in any element, segment or component of the Derived Works developed by or for ESL Pro.

4. DELIVERY OF SOFTWARE

4.1 Delivery of Software. Boswell shall deliver to ESL Pro one (1) complete copy of the Software, in Source Code Form and in Object Code Form, and the Documentation, as set out in Schedule A, on or before the date of execution of this Agreement.

4.2 Delivery of Modifications. Boswell will provide to ESL Pro, at no charge, copies of any modifications, enhancements or upgrades of the Software and the Documentation, in both Source Code Form and Object Code Form, which it may develop. All such modifications, enhancements or upgrades shall form a part of the Software and the Documentation, as applicable, licensed to ESL Pro under this Agreement.

5. PAYMENTS

- 5.1 Royalties. ESL Pro will pay to Boswell during each year of the Initial Term, the royalties set out in Schedule B to this Agreement, in accordance with the schedule set out therein.
- 5.2 Minimum Royalties. ESL Pro will pay to Boswell the minimum royalties for each year of the Initial Term, as set out in Schedule B to this Agreement. Minimum royalties paid by ESL Pro to Boswell in respect of any year shall be credited against royalties payable by ESL Pro for such year under section 5.1.
- 5.3 Share Issuance. Within twenty-eight (28) days of the signing of this Agreement, ESL Pro will deliver to Boswell three hundred and sixty three thousand and six hundred (363,600) Common Shares in ESL Pro representing eighteen point eighteen percent (18.18%) of the total number of issued and outstanding common shares of all classes of ESL Pro. At no time, prior to ESL Pro being listed on a Recognized Stock Exchange as contemplated in section 5.4, shall Boswell's equity interest in the issued and outstanding share capital of ESL Pro be less than eighteen point eighteen percent (18.18%) of the total number of issued and outstanding common shares of all classes of ESL Pro. Upon any issuance of common shares in ESL Pro, ESL Pro will issue to Boswell, at no cost to Boswell, a pro-rata number of Common Shares that would bring Boswell's equity interest in the issued and outstanding share capital of ESL Pro to eighteen point eighteen percent (18.18%) of the total number of issued and outstanding common shares of all classes of ESL Pro.
- 5.4 Right of First Refusal to Purchase Shares. If at any time prior to the listing and posting of the shares of ESL Pro on a Recognized Stock Exchange, Boswell desires to sell or transfer any of the shares in ESL Pro delivered to Boswell pursuant to this Agreement, ESL Pro shall have a right of first refusal to purchase the shares in ESL Pro proposed to be sold by Boswell. Notwithstanding the foregoing, in any calendar year prior to the listing and posting of the shares of ESL Pro on a Recognized Stock Exchange, Boswell may sell or transfer no more than a total of one third of the total number of shares in ESL Pro held by it during such year or as the Recognized Stock Exchange may require.
- 5.5 Redemption Fee. ESL Pro may redeem the shares in ESL Pro delivered to Boswell pursuant to this Agreement in the event that Boswell breaches its obligation of non-competition under section 9.1 or if Boswell is unable to license the Software or Documentation under section 12.1, for a price of US\$0.01 per share. Upon redemption of such shares, all other provisions of this Agreement not affected by the redemption of the shares held by Boswell shall remain in full force and effect.
- 5.6 Elimination of Royalties. ESL Pro's royalty obligations under sections 5.1 and 5.2 shall immediately cease if Boswell breaches its obligation of non-competition under section 9.1.

5.7 Assumption of Patent Prosecutions. Boswell shall permit ESL Pro to assume prosecution of all patent applications filed in Canada or in the United States, by Boswell, in respect of the Software and the cost of maintaining and prosecuting such patent applications shall be deducted from future royalty payments to be made by ESL Pro under section 5.1, notwithstanding the year in which any such cost is incurred. Nothing in this section 5.7 shall affect ESL Pro's obligation to make minimum royalty payments under section 5.2.

5.8 Quarterly Reports. ESL Pro will submit to Boswell quarterly reports along with any corresponding royalty fees as specified in Schedule B. Such reports will identify the type and quantities of Software or Derived Works distributed by ESL Pro during the calendar quarter. Such reports and payments will be due within thirty (30) days after each calendar quarter end and will be submitted even if no reportable transactions occurred during the quarter covered by the report. Upon request of Boswell, ESL Pro will provide End Users' name, quantities of Software or Derived Works licensed and date of shipment if available. The report will also include the units of Software or Derived Works in ESL Pro's possession. ESL Pro will maintain, and make available for review and copying by Boswell and its representatives upon reasonable notice during normal business hours, all relevant records of ESL Pro's Software or Derived Works transactions. Within ninety (90) days after the end of ESL Pro's fiscal year, ESL Pro will certify to Boswell in writing the quantities of the Software or Derived Works licensed during the fiscal year then ended. This certification will be provided by an executive officer of ESL Pro, its corporate internal auditors, or its independent certified public accountants.

6. TRADEMARKS

6.1 Ownership of Trademarks. ESL Pro acknowledges and agrees that Boswell is the sole and exclusive owner of the trademark "Boswell" (the "Trademark") and that Boswell is the exclusive licensing agent thereof.

6.2 Trademark Licence. Boswell hereby grants to ESL Pro a non-exclusive, worldwide, royalty-free licence (without the right to sublicense) to use the Trademark to refer to the Software, the Documentation or any Derived Works, provided that ESL Pro will ensure that the character and quality of the Software, the Documentation and the Derived Works will be similar to or better than the Software and the Documentation currently marketed by Boswell. ESL Pro shall have no other rights in respect of the Trademarks. In accepting the licence to use the Trademark granted hereunder, ESL Pro shall have no obligation to use the Trademark, and the parties acknowledge that any use of the Trademark by ESL Pro shall be entirely voluntary.

6.3 Proprietary Notices. ESL Pro shall ensure that all copies of the Software, the Documentation and the Derived Works that use the Trademark shall be accompanied, where reasonable and appropriate, by a proprietary notice consisting of the following elements:

- (a) the statement "Boswell" is a proprietary trademark of Boswell International Technologies Ltd., and is licensed to ESL Pro Development Inc."; and
- (b) the "TM" or "R" symbol, as instructed by Boswell, after the first prominent use of the Trademark in the Software, the Documentation and the Derived Works. ESL Pro shall have a period of thirty (30) days in which to begin the use of "R" symbol in replacement of the "TM" symbol upon receiving instruction to do so by Boswell.

6.4 Inspection of Trademark Use. Upon reasonable notice and request from Boswell, ESL Pro agrees to provide to Boswell:

- (a) reproductions of any "splash screens", "about boxes" and other notices, copyrights, trademarks, and logos used by ESL Pro in respect of the Software, the Documentation or the Derived Works; and
- (b) copies of the Software, the Documentation and the Derived Works, in Object Code Form only;
- (c) any advertising and promotional materials on which the Trademark is used

so that Boswell may inspect same and monitor ESL Pro's compliance with the provisions of sections 6.2 and 6.3, but for no other purpose may Boswell use this right.

6.5 Protection and Infringement. ESL Pro agrees to cooperate with and assist Boswell in obtaining, maintaining, protecting, enforcing and defending Boswell's proprietary rights in and to the Trademark. In the event that ESL Pro learns of any infringement, threatened infringement or passing-off in respect of the Trademark, or that any third party claims or alleges that the Trademark infringes the right of the third party or is otherwise liable to cause deception or confusion to the public, ESL Pro shall promptly notify Boswell giving the particulars thereof. In the event Boswell decides that proceedings should be commenced, ESL Pro shall provide Boswell with any necessary information and reasonable assistance.

Each party undertakes to cooperate fully with the other in any action against any infringer of the Trademark. ESL Pro, in its absolute discretion, may notify Boswell that it wishes Boswell to join with ESL Pro in taking steps to end such infringement including legal proceedings in the parties' joint names. Upon agreement between the parties as to the proportions in which they shall share the costs thereof, such steps will be taken. In the event of joint proceedings being taken and damages being awarded, the costs of the proceedings so far as not recoverable in the proceedings shall be shared by the parties in the same proportion as they are awarded damages. If the parties fail to agree as to the proportions in which they shall share the costs thereof, ESL Pro may, in its absolute discretion and at its expense, take steps to end such infringement including legal proceedings in the parties' joint names, so long as ESL Pro pays Boswell's costs in taking such steps.

It is understood that ESL Pro has no obligation to incur any costs for protection of infringement of the Trademark, unless it chooses to.

7. REPRESENTATIONS AND WARRANTIES

7.1 Boswell's Representations and Warranties. Boswell represents and warrants that:

- (a) it holds the entire right, title and interest in and to the Software and the Documentation, free and clear of the claims and interests of any third party;
- (b) it has the right and power to license on an exclusive basis the Software and the Documentation;
- (c) it has filed applications for patent protection in Canada in respect of the Software; and
- (d) the execution and delivery of this Agreement does not violate or constitute a breach of the terms of any agreement, document, charter or by-laws to which Boswell is a party or otherwise bound.

8. ESCROW

8.1 Escrow of Derived Works. Subject to the negotiation of an escrow agreement satisfactory to both parties, ESL Pro agrees to place in escrow with a mutually agreeable escrow agent, one (1) copy of each Derived Work developed by or for ESL Pro under this Agreement, in Source Code Form. ESL Pro agrees to update the currency of the Derived Works held in escrow for each major revision of the Derived Works, provided that ESL Pro shall not be required to updates more than two (2) times per year.

8.2 Escrow Agreement. ESL Pro and Boswell agree to negotiate in good faith, the terms and conditions of an escrow agreement pursuant to section 8.1.

9. NON-COMPETITION

9.1 Covenant Not to Compete. During the Initial Term and any Renewal Term, Boswell shall not sell, sublicense, manufacture, lease, distribute or otherwise provide or promote any software products derived from or providing a similar functionality to the Software in the Market, either directly or indirectly, nor assist any other person in doing so, except with the written consent of ESL Pro.

9.2 For the purposes of this Section, "Identifiers" for any software shall mean the software's packaging, trademarks, marketing materials, promotions, advertising, product name, the displays in the software itself and the software's documentation

with the sole exception that Identifiers are not to include the trademark BOSWELL. With respect to Boswell licensing the Software to other licensees, for teaching English, Boswell will ensure that the following language will appear in the license and sublicense agreements and shall enforce same (as per section 9.3:

1. except to the extent required by law, the Identifiers for the Software contain no foreign language content and no references to foreign languages;
2. each of the Identifiers for the Software shall be expressly targeted at a market other than English as a Second Language, and
3. the Software and Identifiers shall appear to reasonable consumers of such product to be for use for markets other than English as a Second Language.

Boswell shall ensure direct and indirect compliance with this Section by itself and all Boswell's licensees and sub-licensees by obtaining the agreement of such parties for the benefit of Boswell and ESL Pro, to be bound by these Sections 9. 1 and 9.2 and to obtain such covenants from any further sub-licensees within all license agreements with all such parties.

- 9.3 Enforcement. Boswell agrees to cooperate with and assist ESL Pro in maintaining, protecting, enforcing and defending ESL Pro's proprietary rights in and to the Software and Documentation in the Market. In the event that Boswell learns of any infringement, threatened infringement or passing-off in respect of the Software or Documentation Boswell shall promptly notify ESL Pro giving the particulars thereof. In the event ESL Pro decides that proceedings should be commenced, Boswell shall provide ESL Pro with any necessary information and reasonable assistance.

Each party undertakes to cooperate fully with the other in any action against any infringer of the Software or Documentation in the Market. ESL Pro, in its absolute discretion, may notify Boswell that it wishes Boswell to join with ESL Pro in taking steps to end such infringement including legal proceedings in the parties' joint names. Upon agreement between the parties as to the proportions in which they shall share the costs thereof, such steps will be taken. In the event of joint proceedings being taken and damages being awarded, the costs of the proceedings so far as not recoverable in the proceedings shall be shared by the parties in the same proportion as they are awarded damages. If the parties fail to agree as to the proportions in which they shall share the costs thereof, ESL Pro may, in its absolute discretion and at its expense, take steps to end such infringement including legal proceedings in the parties' joint names, so long as ESL Pro pays Boswell's costs in taking such steps.

It is understood that Boswell has no obligation to incur any costs for protection of infringement of the Software or Documentation in the Market, unless it chooses to.

ESL Pro shall have the right to audit the records of Boswell and its licenses on reasonable notice to ensure compliance with sections 9.1, 9.2 and 9.3.

10. TERM AND TERMINATION

10.1 Initial Term. This Agreement shall commence on the Effective Date and shall continue through the Initial Term and each subsequent Renewal Term, if any.

10.2 Renewal Terms. This Agreement will be renewed automatically for 3 (three) consecutive ten-year (10) periods (the "Renewal Terms") on the same terms and conditions as are set out herein, except for price and payment terms, as provided elsewhere in this Agreement.

10.3 Termination. This Agreement may be terminated:

- (a) by either party, immediately, in the event any assignment is made by the other party for the benefit of creditors, or if a receiver, trustee in bankruptcy or similar officer shall be appointed to take charge of any or all of the other party's property, or if the other party files a voluntary petition under federal bankruptcy laws or such petition is filed against the other party and is not dismissed within one hundred and twenty (120) days;
- (b) by Boswell, on thirty (30) days written notice, in the event ESL Pro fails three (3) times, during the Initial Term or a single Renewal Term, to make a royalty payment under section 5.1 or a minimum royalty payment under section 5.2, and fails to cure such breach within ninety (90) days of receipt of written notice thereof;
- (c) by Boswell, on thirty (30) days written notice, in the event ESL Pro issues any common shares in ESL Pro, which would dilute the equity position in ESL Pro owned by Boswell, and fails to cure such condition within ninety (90) days of receipt of written notice thereof;
- (d) by ESL Pro, on ninety (90) days written notice, at any time after the third anniversary of the Effective Date; and
- (e) on notice by Boswell on the third anniversary of the Effective Date, if:
 - (i) ESL Pro is not a publicly traded company on a Recognized Stock Exchange, and
 - (ii) ESL Pro elects not to offer to redeem the Common Shares in ESL Pro, held by Boswell, at one-hundred and thirty-three percent (133%) of their fair market value, which fair market value is to be determined by the auditors of ESL Pro as of the third anniversary of the Effective Date. It is agreed by both parties that the fair market value assessment of the Common Shares of ESL Pro will be completed by the auditors of ESL Pro within ninety (90) days of the third anniversary of the Effective Date.

With respect to the period of the notice set out in this section (e), in the event that, on the third anniversary of the Effective Date:

- (i) ESL Pro has made application to a Recognized Stock Exchange for listing on such stock exchange, the period for cure after the notice shall be one hundred and eighty (180) days, and,
- (ii) ESL Pro has not made such an application, the period for cure after the notice shall be thirty (30) days.

10.4 Effect of Termination. Upon expiration or earlier termination of this Agreement for any reason:

- (a) all rights, obligations and licences of the parties hereunder shall cease, except that:
 - (i) ESL Pro's liability for any charges, payments or expenses due to Boswell which accrued prior to the termination date shall not be extinguished by termination, and such amount (if not otherwise due on an earlier date), shall be immediately due and payable on the termination date, and
 - (ii) ESL Pro shall have the right to distribute and sell all copies of the Software and the Documentation in its inventory on the date of such termination or expiration provided that ESL Pro complies with the terms and conditions of this Agreement related to the distribution thereof;
- (b) ESL Pro shall deliver to Boswell, at ESL Pro's expense
 - (i) all originals and copies of the Software and the Documentation in the possession or under the control of ESL Pro or any affiliate, and
 - (ii) all materials in the possession of ESL Pro that display any trademark, trade name or other proprietary mark of Boswell.

ESL Pro shall certify in writing to Boswell within ten (10) days following termination that it has complied with this subsection (b); and

- (c) the sublicences granted under this Agreement by ESL Pro to End Users or Resellers (solely with respect to existing inventory of the Reseller) prior to termination shall not be affected by the termination of this Agreement, so long as such End Users or Resellers are not in breach of their sublicense agreements with ESL Pro and agree to owe all further obligations thereunder directly to Boswell.

10.5 Release of Derived Works. Upon any early termination of this Agreement under subsection 10.3(a), where terminated by Boswell, or subsections 10.3(b) through 10.3(e), the Derived Works held in escrow under section 8.1, if any, shall be released to Boswell and ownership of all patents, trademarks and copyrights awarded to ESL Pro in respect of the Derived Works, to the extent owned by ESL Pro, shall be transferred to Boswell.

11. CONFIDENTIALITY

11.1 Proprietary Information. Boswell and ESL Pro agree and acknowledge that in order to further the performance of this Agreement, they will be required to disclose to each other certain of their respective confidential information which will be identified as such in writing ("Confidential Information"). The Source Code Form of the Software and the Documentation, whether or not it is identified in writing as "Confidential Information", shall be deemed the Confidential Information of Boswell under this Agreement.

11.2 Protection of Property Information. Each party agrees to take all reasonable steps to protect, in perpetuity, the confidentiality of the other party's Confidential Information with at least the same degree of care that it utilizes with respect of its own similar proprietary information.

(a) not to disclose or otherwise permit any other person or entity access to, in any manner, the Confidential Information of the other party or any part thereof, in any form whatsoever, except to its employees (or in the case of ESL Pro, a Reseller) requiring access to such Confidential Information in the course of his or her employment in connection with this Agreement or a Reseller sublicense agreement and who has signed an agreement obligating the employee or the Reseller to maintain the confidentiality of such Confidential Information;

(b) to notify the other party promptly and in writing of the circumstances surrounding any suspected possession, use or knowledge of the such party's Confidential Information or any part thereof at any location or by any person or entity other than those authorized by this Agreement; and

(c) not to use the Confidential Information of the other party for any purpose other than as explicitly set forth in this Agreement.

11.3 Exceptions. Nothing in this article 11 shall restrict the receiving party from disclosing the Confidential Information of the other party, if such Confidential Information:

(a) was rightly possessed by the receiving party before it was received from the disclosing party;

- (b) is independently developed by the receiving party without reference to the disclosing party's Confidential Information;
- (c) is subsequently furnished to the receiving party by a third party not under any obligation of confidentiality with respect to such Confidential Information, and without restrictions on use or disclosure; or
- (d) is or becomes public or available to the general public otherwise than through any act or default of the receiving party.

12. INDEMNIFICATION

12.1 Indemnification for Infringement. Except as provided below, Boswell shall defend and indemnify ESL Pro from and against any damages, liabilities, costs and expenses (including reasonable attorney's fees) arising out of any claim that the Software or the Documentation infringes any valid patent or copyright or misappropriates a trade secret of a third party, provided that:

- (a) ESL Pro shall have promptly provided Boswell with written notice thereof and reasonable cooperation, information, and assistance in connection therewith; and
- (b) Boswell shall have sole control and authority with respect to the defence, settlement, or compromise thereof.

Should any Software or Documentation become or, in Boswell's reasonable opinion, be likely to become the subject of an injunction preventing its use as contemplated in this Agreement, Boswell may, at its option:

- (c) procure for ESL Pro the right to continue using such Software or Documentation; or
- (d) replace or modify such Software or Documentation so that it becomes non-infringing.

If the remedies provided under subsections (c) and (d) are not reasonably available to Boswell, the ESL Pro may, at its sole option:

- (e) terminate the Agreement and redeem the shares in ESL Pro delivered to Boswell pursuant to this Agreement, for a price of US\$0.01 per share (see section 5.5)..

Any damages, liabilities, costs and expenses (including reasonable attorney's fees) incurred by ESL Pro as a result of a valid action against the Software or Documentation, shall be deducted from future royalty payments.

12.2 Exclusions. Boswell shall not have liability or obligation to ESL Pro hereunder with respect to any patent, copyright or trade secret infringement or claim thereof based upon:

- (a) use of the Software or Documentation by ESL Pro in combination with any devices or products not authorized by Boswell;
- (b) use of the Software or Documentation in an application or environment for which such Software or Documentation were not designed or contemplated;
- (c) modifications, alterations or enhancements of the Software or Documentation not created by or for Boswell, or
- (d) any claim of infringement of a patent, copyright or trade secret in which ESL Pro or any affiliate of ESL Pro has an interest.

ESL Pro shall indemnify and hold Boswell harmless from all costs, damages and expenses (including reasonable attorney's fees) arising from any claim enumerated in subsections (a) through (d) above.

12.3 Entire Liability. This article 12 states the entire liability of Boswell with respect to infringement of patent, copyright and trade secrets by the Software or Documentation or any part thereof or by their operation.

13. GENERAL PROVISIONS

13.1 Assignment. This Agreement may not be assigned by ESL Pro without the prior written consent of Boswell whose consent shall not be unreasonably withheld. In the case of any permitted assignment or transfer of or under this Agreement, this Agreement or the relevant provisions shall be binding upon, and inure to the benefit of the successors, executors, heirs, representatives, administrators and assigns of the parties hereto.

13.2 Entire Agreement; Amendment. This Agreement and Schedule A and B attached hereto constitute this entire agreement between the parties with regard to the subject matter hereof. All other agreements between the parties shall still be in effect. No amendment, modification or change of terms of this Agreement shall bind either party unless in writing signed by both parties.

13.3 Force Majeure. In the event that either party is prevented from performing, or is unable to perform, any of its obligations under this Agreement due to any cause beyond the reasonable control of the party invoking this provision, the affected party's performance shall be excused and the time for performance shall be extended for the period of delay or inability to perform due to such occurrence.

13.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia, Canada and the parties hereto irrevocably attorn to the jurisdiction of the courts of such province.

13.5 Headings. Captions and heading contained in this Agreement have been included for ease of reference and convenience and shall not be considered in interpreting or construing this Agreement.

13.6 No Agency; Independent Contractors. Nothing contained in this Agreement shall be deemed to imply or constitute either party as the agent or representative of the other party, or both parties as joint ventures or partners of any purpose.

13.7 Notice. Any notice or communication from one party to the other shall be in writing and either personally delivered or sent via facsimile or certified mail, postage prepaid and return receipt requested addressed, to such other party at the address specified below or such other address as either party may from time to time designate in writing to the other party.

If to Boswell:

Boswell International Technologies Ltd. & Boswell Industries Inc.
415 South Tower, 5811 Cooney Road
Richmond, British Columbia
Canada V6X 3M1

Attention: Ron McIntyre
Telephone No: (604) 684-1292
Fax No. (604) 684-7093

If to ESL Pro:

ESL Pro Systems Inc.
1135 Terminal Way, Suite 209
Reno, Nevada 89502

Attention: Mark E. Bruk
Telephone No: (604) 623-4864
Fax No.: (604) 623-4828

No change of address shall be binding upon the other party hereto until written notice thereof is received by such party at the address shown herein. All notices shall be in English and shall be effective upon receipt.

13.8 No Waiver. The waiver by either party of a breach or a default of any provision of this Agreement by the other party shall be construed as a waiver or any succeeding breach of the same or any other provision, nor shall any delay or omission on the

part of either party to exercise or avail itself of any right, power or privilege that it has, or may have hereunder, operate as a waiver of any right, power or privilege by such party.

13.9 Publicity.

- (a) Neither party shall originate any publicity, news release or other public announcement relating to this Agreement or the existence of an arrangement between the parties without the prior written approval of the other party, except as otherwise required by law.
- (b) Upon acceptance of this Agreement, Boswell agrees to use its best efforts to deliver a news release to its shareholders announcing the signing of this Agreement and also agrees to provide ESL Pro reasonable access to the Boswell web site on the world wide web (www.boswell.com) for the purposes of providing links to the ESL Pro web site (www.eslpro.com).

13.10 Quiet Enjoyment. In the event of any dispute between the two parties concerning a material breach of this Agreement (except with respect of section 10.3(b) or 10.3(c)) both parties shall have the right to quiet enjoyment of the products or services detailed within the Agreement until the dispute is completely resolved. If a period of ninety (90) days elapses and the dispute is not resolved, then both parties agree that the dispute will go to binding arbitration. This provision specifically provides ESL Pro the right to continue conducting its business during any aforementioned dispute with Boswell and Boswell agrees not to contact or solicit ESL Pro's clients or enter the Market, until any such dispute is completely resolved.

13.11 Survival. The provisions of sections 10.4 and 10.5 and articles 11 (Confidentiality), 12 (indemnification) and 13 (General Provisions) shall survive any termination or expiration of this Agreement according to their respective terms.

13.12 Arbitration. Except for applications for injunctions required to protect Confidential Information, all disputes arising out of or in connection with this Agreement or in respect of any defined legal relationship associated therewith or derived therefrom shall be referred to and finally resolved by arbitration under the rules of the British Columbia International Commercial Arbitration Centre, and in connection therewith:

- (a) the appointing authority shall be the British Columbia International Arbitration Centre;
- (b) the arbitration will be conducted by a single arbitrator unless the parties agree otherwise;
- (c) the case shall be administered by the British Columbia International Commercial Arbitration Centre in accordance with its Procedures for Cases under the BCICAC Rules;

(d) the place of arbitration shall be Vancouver, British Columbia, Canada;
and the language of the arbitration shall be English.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by
their duly authorized representatives as of the date first above written.

ESL PRO SYSTEMS INC.
by its authorized signatory:

Mark E. Bruk, President

BOSWELL INTERNATIONAL TECHNOLOGIES LTD.
by its authorized signatory:

Ron McIntyre, Chairman

BOSWELL INDUSTRIES INC.
by its authorized signatory:

Ron Craig, President

SCHEDULE A

THE SOFTWARE AND THE DOCUMENTATION

Boswell will deliver to ESL Pro one (1) copy of each of the following:

Software

- * Boswell English as a Second Language Program - Level One (in Source Code Form)
- * Digifusion (in Source Code Form)
- * Dr Boz (in Source Code Form)
- * Bozinput (in Source Code Form)
- * Boswell Picture Dictionary (in Source Code Form)
- * Boswell keyboard firmware (in Source Code Form)

Documentation

- * Boswell ESL Program - Level One -- Online Users Guide (Windows HLP file)
- * Boswell ESL Program - Level One - Users Guide (Word file)
- * Product Evaluations & Government Studies (Word file)
- * TV Documentary footage * Newspaper articles
- * Radio Interviews * other Marketing Materials
- * Boswell keyboard mold (for plastic top keyboard case)

The Software and the Documentation shall include any related technology not specifically outlined in this schedule.

The Software and Documentation has been accepted by ESL Pro as of the date set out below.

ESL PRO SYSTEMS INC.
by its authorized signatory:

Mark E. Bruk, President

Date

SCHEDULE B

ROYALTY SCHEDULE

ESL Pro will pay to Boswell a royalty equal to five percent (5%) of the gross dollar amounts received by ESL Pro for licensing the Software and the Documentation and the Derived Works, which contain Software, in the Market. ESL Pro shall have no obligation to pay royalties in respect of Software and Documentation for which it does not receive monetary consideration, if such Software and the Documentation and the Derived Works was given away as: (i) promotional copies; (ii) demonstration copies; or (iii) for co-operative advertising, and such Software or Documentation or Derived Works was given away for the purpose of generating future revenues.

As an advance against the royalties due each year, ESL Pro will pay to Boswell a minimum royalty, equal to \$80,000 in the 1st year and five months ending September 30, 1999, \$95,000 in the 3rd year, \$150,000 in the 4th year. In each of year 5 through year 10, the minimum royalty will be ten (10%) percent greater than in the previous year. For each year of each subsequent Renewal Term, the minimum royalty will be five (5%) percent greater than in the previous year.

The minimum royalties paid by ESL Pro to Boswell in respect of any year will be considered an advance against royalties payable by ESL Pro for such year and will be credited against such royalties.

ESL Pro will pay to Boswell the royalties as per the following schedule:

Term	Year	Description	Date	Amount
1	1	Quarterly Royalty Fee summary & payment	06/30/1998	*
1	1	Quarterly Royalty Fee summary & payment	09/30/1998	*
1	2	Minimum Royalty Fee payment	10/31/1998	\$80,000
1	2	Quarterly Royalty Fee summary & payment	12/31/1998	*
1	2	Quarterly Royalty Fee summary & payment	03/31/1999	*
1	2	Minimum Royalty Fee payment	04/01/1999	*
1	2	Quarterly Royalty Fee summary & payment	06/30/1999	*
1	2	Quarterly Royalty Fee summary & payment	09/30/1999	*
1	3	Minimum Royalty Fee payment	10/01/1999	\$45,000
1	3	Quarterly Royalty Fee summary & payment	12/31/1999	*
1	3	Quarterly Royalty Fee summary & payment	03/31/2000	*
1	3	Minimum Royalty Fee payment	04/01/2000	\$50,000
1	3	Quarterly Royalty Fee summary & payment	06/30/2000	*
1	3	Quarterly Royalty Fee summary & payment	09/30/2000	*
1	4	Minimum Royalty Fee payment	10/01/2000	\$75,000
1	4	Quarterly Royalty Fee summary & payment	12/31/2000	*
1	4	Quarterly Royalty Fee summary & payment	03/31/2001	*
1	4	Minimum Royalty Fee payment	04/01/2001	\$75,000
1	4	Quarterly Royalty Fee summary & payment	06/30/2001	*
1	4	Quarterly Royalty Fee summary & payment	09/30/2001	*
1	5	Minimum Royalty Fee payment	10/01/2001	*

Term	Year	Description	Date	Amount
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1	5	Quarterly Royalty Fee summary & payment	12/31/2001	*
1	5	Quarterly Royalty Fee summary & payment	03/31/2002	*
1	5	Minimum Royalty Fee payment	04/01/2002	\$82,500
1	5	Quarterly Royalty Fee summary & payment	06/30/2002	*
1	5	Quarterly Royalty Fee summary & payment	09/30/2002	*
1	6	Minimum Royalty Fee payment	10/01/2002	\$90,750
1	6	Quarterly Royalty Fee summary & payment	12/31/2002	*
1	6	Quarterly Royalty Fee summary & payment	03/31/2003	*
1	6	Minimum Royalty Fee payment	04/01/2003	\$90,750
1	6	Quarterly Royalty Fee summary & payment	06/30/2003	*
1	6	Quarterly Royalty Fee summary & payment	09/30/2003	*
1	7	Minimum Royalty Fee payment	10/01/2003	\$99,825
1	7	Quarterly Royalty Fee summary & payment	12/31/2003	*
1	7	Quarterly Royalty Fee summary & payment	03/31/2004	*
1	7	Minimum Royalty Fee payment	04/01/2004	\$99,825
1	7	Quarterly Royalty Fee summary & payment	06/30/2004	*
1	7	Quarterly Royalty Fee summary & payment	09/30/2004	*
1	8	Minimum Royalty Fee payment	10/01/2004	\$109,808
1	8	Quarterly Royalty Fee summary & payment	12/31/2004	*
1	8	Quarterly Royalty Fee summary & payment	03/31/2005	*
1	8	Minimum Royalty Fee payment	04/01/2005	\$109,808
1	8	Quarterly Royalty Fee summary & payment	06/30/2005	*
1	8	Quarterly Royalty Fee summary & payment	09/30/2005	*
1	9	Minimum Royalty Fee payment	10/01/2005	\$120,788
1	9	Quarterly Royalty Fee summary & payment	12/31/2005	*
1	9	Quarterly Royalty Fee summary & payment	03/31/2006	*
1	9	Minimum Royalty Fee payment	04/01/2006	\$120,788
1	9	Quarterly Royalty Fee summary & payment	06/30/2006	*
1	9	Quarterly Royalty Fee summary & payment	09/30/2006	*
1	10	Minimum Royalty Fee payment	10/01/2006	\$132,867
1	10	Quarterly Royalty Fee summary & payment	12/31/2006	*
1	10	Quarterly Royalty Fee summary & payment	03/31/2007	*
1	10	Minimum Royalty Fee payment	04/01/2007	\$132,867
1	10	Quarterly Royalty Fee summary & payment	06/30/2007	*
1	10	Quarterly Royalty Fee summary & payment	09/30/2007	*
2	1	Minimum Royalty Fee payment	10/01/2007	\$139,510
2	1	Quarterly Royalty Fee summary & payment	12/31/2007	*
2	1	Quarterly Royalty Fee summary & payment	03/31/2008	*
2	1	Minimum Royalty Fee payment	04/01/2008	\$139,510
2	1	Quarterly Royalty Fee summary & payment	06/30/2008	*
2	1	Quarterly Royalty Fee summary & payment	09/30/2008	*

This payment schedule will continue through the Initial Term of the Agreement and through subsequent Renewal Terms.

EDUVERSE ACCELERATED LEARNING SYSTEMS (CANADA), INC.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is dated for reference the 3rd day of May 1999.

BETWEEN

EDUVERSE Accelerated Learning Systems (Canada), Inc., a company incorporated under the laws of the Province of British Columbia and having an office at 2nd Floor, 1235 West Pender Street, Vancouver, British Columbia, V6E 2V6.

(hereinafter referred to as the "Company")

AND

Marc Crimeni having an address for notice at 3322 Sophia Street, Vancouver, BC, Canada V5V3T5.

(hereinafter referred to as the "Employee")

WHEREAS:

- A. The Company is principally engaged in the business of researching, developing and marketing multimedia educational software products (the "Company's Business"),
B. The Employee has been hired by the Company to work in the Company's Business;
C. The Employee and the Company wish to enter into this Agreement to record the terms of employment between them;

NOW THEREFORE THIS AGREEMENT WITNESSES that for good consideration, the Company hereby employs the Employee on the following terms and conditions:

- 1. Term of Employment. Subject to the provisions for termination set forth below, the Employee's employment with the Company, pursuant to this Agreement will begin on August 1, 1998 and continue until terminated in accordance with this Agreement.
2. Salary. The Company shall pay the Employee a salary of \$7,500.00 per month for the services of the Employee, payable at regular payroll periods established by the Company. The Employee's salary will be subject to deductions for Income Tax, Canada Pension Plan and Employment Insurance remittances (collectively the "Government Deductions") and for the Employee's contributions to the employee benefit plan to be established by the Company on terms approved by the Directors of the Company ("Benefit Deductions").
3. Duties and Position. The Company will employ the Employee in the capacity of Executive Vice President. The Employee's duties shall include those commonly associated with the aforesaid capacity, including without limitation the duties set out in Schedule "A". The Employee agrees that

EDUVERSE Accelerated Learning Systems (Canada), Inc.
Employment Agreement
Page 1 of 7

EDUV Employee

his duties may be reasonably modified at the Company's discretion from time to time The Employee will report to the President, or such other Company employee that may be designated by the management of the Company (hereafter referred to as "Manager") and will comply with all lawful instructions given by his/her Manager.

- 4. Policies and Procedures. The Employee shall abide by all policies and procedures defined by the Company in the Employee Orientation letter. These policies and procedures may be updated and changed at any time at the discretion of the Company.
5. Privacy. The company may monitor and/or review all email, voice mail, Internet browser usage and phone calls when deemed necessary by the Company without prior notice.
6. Devote Full Time to Company. The Employee will use his best efforts to promote the interests of the Company. The Employee will devote full time, attention and energies to the Company's Business, and during employment with the Company, will not engage in any other business activity, regardless of whether such activity is pursued for profit, gain, or other pecuniary advantage. The Employee is not prohibited from making personal investments in any other businesses provided those such businesses are not engaged in activities which are or may be competitive with the Company's Business and provided such investments do not require the Employee's active involvement. The Employee shall not commit or purport to commit the Company to:

(a) any financial obligation or liability in excess of \$1,000.00, or

(b) sell or encumber any part of the assets of the Company.

7. Confidentiality. The Employee will not, during or after the term of his employment, reveal any confidential information or trade secrets of the Company to any person, firm, corporation, or entity. If the Employee reveals or threatens to reveal any such information, the Company shall be entitled to an injunction restraining the Employee from disclosing same, or from rendering any services to any entity to whom said information has been or is threatened to be disclosed. The right to secure an injunction is not exclusive, and the Company may pursue any other remedies it has against the Employee for a breach or threatened breach of this condition, including the recovery of damages from the Employee. The Employee shall promptly sign and deliver the Company's form of Confidentiality and Non-Competition Agreement as a condition of employment.

8. Reimbursement of Expenses. The Employee may incur reasonable expenses for furthering the Company's Business, including expenses for entertainment, travel, and similar items. The Employee will obtain prior acceptance of the expenses from his/her Manager. The Company shall reimburse the Employee for all business expenses after the Employee presents a pre-approved itemized account of expenditures including original receipts, which is approved by his/her Manager pursuant to Company policy.

9. Vacation. The Employee shall be entitled to a yearly paid vacation of 3 weeks and increases in accordance with the labour laws of British Columbia. The Employee shall have due regard to the policies of the Company relating to the scheduling of vacations and the reasonable directions of his/her Manager.
10. Benefits. The Employee shall, subject to shareholder approval and regulatory approval, be entitled to the following benefits from the Company (with the specific details and terms of the following benefits to be determined by the Directors of the Company from time to time):
 - (a) the Employee will participate in a stock option plan under which the Employee will receive a stock option for the subscription purchase of 100,000 Common Shares in the Company at an exercise price of \$1.65 US per share;
 - (b) the Employee will participate in a stock purchase plan (as and when established by the Company) under which the Employee will receive an option to acquire an equity interest in the Company through payroll deductions;
 - (c) the Employee will participate in a group benefits package that will include disability insurance and term life insurance plans for employees of the Company.
11. Open Market Stock Trading Restrictions. All Employees participating in open market trades of the Company's shares, whether buying or selling, must first notify the CFO or President of the Company. An Employee who purchases shares of the Company on the open market must hold and may not sell those shares for a minimum of 6 (six) months from the date of the last purchase of any shares of the Company on the open market by such Employee. An Employee who sells shares of the Company must wait a minimum of 6 (six) months from the date of the last sale of Company shares by that Employee before purchasing additional shares of the Company's stock on the open market.

These restrictions do not apply to the exercise of stock options or the shares acquired by an Employee pursuant to the exercise of stock options.

12. Disability. It is understood and agreed that while the Employee is entitled to receive payments under any disability insurance plan for Employees of the Company, then the Employee will not be entitled during such time, to receive the salary set out in Section 2. The Employee's full compensation will be reinstated upon the Employee's return to work on a full-time basis.

If the Employee is absent from work or is unable to fully and effectively perform his duties because of illness or incapacity or for any other reason for a continuous period of more than 270 days or for an aggregate period of more than 270 days in any period of 365 days, then the Employer shall have the option to terminate the Employee's employment upon 30 days prior written notice.

13. Termination of Employment by the Company.
 - 13.1 The Company may terminate the Employee's employment and this Agreement at any time upon 14 days' written notice to the Employee. At the Company's discretion, the Employee will continue to perform his duties and will be paid his regular salary up to the date of termination; or the Company will pay the Employee severance pay in accordance with the labour laws of British Columbia, less applicable Government Deductions and Benefit Deductions.

13.2 Notwithstanding anything to the contrary contained in this Agreement, the Company may (provided that the Common Shares of the Company have not been the subject of a successful takeover bid) terminate the Employee's employment upon 14 days' notice to the Employee without payment of any severance allowance should any of the following events occur:

- (a) The Company's decision to terminate its business and liquidate its assets; or
- (b) Bankruptcy or reorganization of the Company to protect its assets from creditors.

13.3 Notwithstanding anything to the contrary contained in this Agreement; the Company may terminate the Employee's employment without notice and/or severance, if the Employee commits any of the following:

- (a) an act of fraud, dishonesty, negligent performance of employment duties or the dereliction of employment duties;
- (b) a breach of the terms of this Agreement or the Confidentiality and Non-Competition Agreement, which breach is not fully corrected by the Employee within 5 days of notice from the Company; or
- (c) any act or omission which constitutes "just cause" for dismissal under the laws of British Columbia.

- 14. Termination of Employment by the Employee. The Employee may, without cause, terminate his/her employment upon 30 days' written notice to the Company. Following such notice from the Employee, the Company may require the Employee to perform his duties to the date of termination and the Employee will be paid his regular salary to date of termination. If the Company does not require the Employee to remain for the duration of his/her notice, the Company may pay the Employee severance pay in accordance with the laws of British Columbia.
- 15. Death Benefit. If the Employee dies during the term of employment, the Company shall pay to the Employee's estate the Employee's prevailing salary less Government Deductions and Benefit Deductions up to and including the end of the month in which death occurred.
- 16. Assistance in Litigation. Employee shall upon reasonable notice and at the Company's expense, furnish such information and proper assistance to the Company as it may reasonably require in connection with any litigation in which it is, or may become, a party either during or after employment. The Employee may, at its option and at the Company's expense, retain a lawyer to attend with the Employee at any legal proceedings, which the Company requires the Employee to be present at.
- 17. Effect on Prior Agreements. This Agreement supersedes any prior employment agreement between the Company or any predecessor of the Company and the Employee.
- 18. Settlement by Arbitration. Any claim or controversy that arises out of or relates to this agreement, or the breach of it, shall be settled by arbitration in accordance with the rules of the Commercial Arbitration Center of Vancouver, British Columbia. Judgment upon the award rendered may be entered in any court with jurisdiction.

19. Severability. If, for any reason, any provision of this Agreement is held invalid, all other provisions of this Agreement shall remain in effect. If this Agreement is held invalid or cannot be enforced, then to the full extent permitted by law any prior agreement between the Company (or any predecessor thereof) and the Employee shall be deemed reinstated as if this Agreement had not been executed.
20. Assumption of Agreement by Company's Successor and Assignees. The Company's rights and obligations under this Agreement will endure to the benefit and be binding upon the Company's successors and assignees.
21. Oral Modifications Not Binding. Oral modifications to this Agreement shall have no effect. This Agreement may be modified only by a written agreement signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.
22. Notices. Except as otherwise expressly provided herein, any and all notices or demands which must or maybe given hereunder or under any other instrument contemplated hereby shall be given by delivery in person or by regular mail or by facsimile transmission to the parties' respective address set out on the first page of this Agreement. All such communications, notices or presentations and demands provided for herein shall be deemed to have been delivered when actually delivered in person to the respective party, or if mailed, then on the date it would be delivered in the ordinary course of mail, or if sent by facsimile transmission, on the date of receipt of confirmation that the transmission has been received. Any party may change its address hereunder on twenty days notice to the other party in compliance with this section.
23. General. Time will be of the essence hereof. The Employee acknowledges and declares that he has been provided with sufficient time and opportunity to consider all factors relating to this Agreement, has retained, and consulted independent counsel to advise him, or in the alternative has elected to waive his right to retain and consult independent counsel. He further acknowledges and declares that he has read and understands the terms of this Agreement and has signed it voluntarily with full awareness of its consequences. This Agreement may not be assigned by the Employee without the express written consent of the Company. Wherever the singular masculine or neuter is used in this Agreement, the same shall be construed as meaning the plural or feminine, and visa versa, where the context or the parties so require. The headings used herein are for convenience of reference only and shall not affect the interpretation of this Agreement. Facsimile or photostat copies of signatures are acceptable and are of the same force and effect as original signatures for all intents and purposes. The waiver by either party of any breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach. The provisions of sections 7 and 16 herein shall survive the termination of the Employee's employment and this Agreement. This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. The preambles or recitals hereto are hereby incorporated herein and form an integral part of this Agreement. This Agreement shall entire to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

IN WITNESS WHEREOF the parties hereto have duly executed this agreement under seal as of the date first above written.

EDUVERSE ACCELERATED LEARNING SYSTEMS (CANADA), INC.

(Authorized Signature)

SIGNED, SEALED and DELIVERED by the Employee in the presence of:

Signature

Name

Address

Occupation

Signature of Employee

Date Signed

EDUV Employee

SCHEDULE "A"

This Schedule sets out the general duties of the position that the Employee has accepted with the Company. This Schedule may be amended by a written job description to be prepared by his/her Manager from time to time.

WORK DESCRIPTION: To perform sales and marketing activities for the Company.

EDUVERSE ACCELERATED LEARNING SYSTEMS (CANADA), INC.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is dated for reference the 3rd day of May 1999.

BETWEEN

EDUVERSE Accelerated Learning Systems (Canada), Inc., a company incorporated under the laws of the Province of British Columbia and having an office at 2nd Floor, 1235 West Pender Street, Vancouver, British Columbia, V6E 2V6.

(hereinafter referred to as the "Company")

AND

Robert Harris having an address for notice at #406 - 1414 Barclay Street, Vancouver, BC, Canada V6G1J4.

(hereinafter referred to as the "Employee")

WHEREAS:

- A. The Company is principally engaged in the business of researching, developing and marketing multimedia educational software products (the "Company's Business"),
- B. The Employee has been hired by the Company to work in the Company's Business;
- C. The Employee and the Company wish to enter into this Agreement to record the terms of employment between them;

NOW THEREFORE THIS AGREEMENT WITNESSES that for good consideration, the Company hereby employs the Employee on the following terms and conditions:

- 1. Term of Employment. Subject to the provisions for termination set forth below, the Employee's employment with the Company, pursuant to this Agreement will begin on January 1, 1999 and continue until terminated in accordance with this Agreement.
- 2. Salary. The Company shall pay the Employee a salary of \$3,000.00 per month for the services of the Employee, payable at regular payroll periods established by the Company. The Employee's salary will be subject to deductions for Income Tax, Canada Pension Plan and Employment Insurance remittances (collectively the "Government Deductions") and for the Employee's contributions to the employee benefit plan to be established by the Company on terms approved by the Directors of the Company ("Benefit Deductions").
- 3. Duties and Position. The Company will employ the Employee in the capacity of Manager, Creative & Research. The Employee's duties shall include those commonly associated with the aforesaid capacity, including without limitation the duties set out in Schedule "A". The Employee agrees that

EDUVERSE Accelerated Learning Systems (Canada), Inc.
Employment Agreement
Page 1 of 7

EDUV Employee

his duties may be reasonably modified at the Company's discretion from time to time The Employee will report to the Executive Vice President, or such other Company employee that may be designated by the management of the Company (hereafter referred to as "Manager") and will comply with all lawful instructions given by his/her Manager.

- 4. Policies and Procedures. The Employee shall abide by all policies and procedures defined by the Company in the Employee Orientation letter. These policies and procedures may be updated and changed at any time at the discretion of the Company.
- 5. Privacy. The company may monitor and/or review all email, voice mail, Internet browser usage and phone calls when deemed necessary by the Company without prior notice.
- 6. Devote Full Time to Company. The Employee will use his best efforts to promote the interests of the Company. The Employee will devote full time, attention and energies to the Company's Business, and during employment with the Company, will not engage in any other business activity, regardless of whether such activity is pursued for profit, gain, or other pecuniary advantage. The Employee is not prohibited from making personal investments in any other businesses provided those such businesses are not engaged in activities which are or may be competitive with the Company's Business and provided such investments do not require the Employee's active

involvement. The Employee shall not commit or purport to commit the Company to:

- (a) any financial obligation or liability in excess of \$100.00, or
- (b) sell or encumber any part of the assets of the Company.

7. Confidentiality. The Employee will not, during or after the term of his employment, reveal any confidential information or trade secrets of the Company to any person, firm, corporation, or entity. If the Employee reveals or threatens to reveal any such information, the Company shall be entitled to an injunction restraining the Employee from disclosing same, or from rendering any services to any entity to whom said information has been or is threatened to be disclosed. The right to secure an injunction is not exclusive, and the Company may pursue any other remedies it has against the Employee for a breach or threatened breach of this condition, including the recovery of damages from the Employee. The Employee shall promptly sign and deliver the Company's form of Confidentiality and Non-Competition Agreement as a condition of employment.

8. Reimbursement of Expenses. The Employee may incur reasonable expenses for furthering the Company's Business, including expenses for entertainment, travel, and similar items. The Employee will obtain prior acceptance of the expenses from his/her Manager. The Company shall reimburse the Employee for all business expenses after the Employee presents a pre-approved itemized account of expenditures including original receipts, which is approved by his/her Manager pursuant to Company policy.

9. Vacation. The Employee shall be entitled to a yearly paid vacation of 2 weeks and increases in accordance with the labour laws of British Columbia. The Employee shall have due regard to the policies of the Company relating to the scheduling of vacations and the reasonable directions of his/her Manager.
10. Benefits. The Employee shall, subject to shareholder approval and regulatory approval, be entitled to the following benefits from the Company (with the specific details and terms of the following benefits to be determined by the Directors of the Company from time to time):
- (a) the Employee will participate in a stock option plan under which the Employee will receive a stock option for the subscription purchase of 75,000 Common Shares in the Company at an exercise price of \$0.68 US per share;
 - (b) the Employee will participate in a stock purchase plan (as and when established by the Company) under which the Employee will receive an option to acquire an equity interest in the Company through payroll deductions;
 - (c) the Employee will participate in a group benefits package that will include disability insurance and term life insurance plans for employees of the Company.
11. Open Market Stock Trading Restrictions. All Employees participating in open market trades of the Company's shares, whether buying or selling, must first notify the CFO or President of the Company. An Employee who purchases shares of the Company on the open market must hold and may not sell those shares for a minimum of 6 (six) months from the date of the last purchase of any shares of the Company on the open market by such Employee. An Employee who sells shares of the Company must wait a minimum of 6 (six) months from the date of the last sale of Company shares by that Employee before purchasing additional shares of the Company's stock on the open market.

These restrictions do not apply to the exercise of stock options or the shares acquired by an Employee pursuant to the exercise of stock options.

12. Disability. It is understood and agreed that while the Employee is entitled to receive payments under any disability insurance plan for Employees of the Company, then the Employee will not be entitled during such time, to receive the salary set out in Section 2. The Employee's full compensation will be reinstated upon the Employee's return to work on a full-time basis.

If the Employee is absent from work or is unable to fully and effectively perform his duties because of illness or incapacity or for any other reason for a continuous period of more than 270 days or for an aggregate period of more than 270 days in any period of 365 days, then the Employer shall have the option to terminate the Employee's employment upon 30 days prior written notice.

13. Termination of Employment by the Company.

13.1 The Company may terminate the Employee's employment and this Agreement at any time upon 14 days' written notice to the Employee. At the Company's discretion, the Employee will continue to perform his duties and will be paid his regular salary up to the date of termination; or the Company will pay the Employee severance pay in accordance with the labour laws of British Columbia, less applicable Government Deductions and Benefit Deductions.

13.2 Notwithstanding anything to the contrary contained in this Agreement, the Company may (provided that the Common Shares of the Company have not been the subject of a successful takeover bid) terminate the Employee's employment upon 14 days' notice to the Employee without payment of any severance allowance should any of the following events occur:

- (a) The Company's decision to terminate its business and liquidate its assets; or
- (b) Bankruptcy or reorganization of the Company to protect its assets from creditors.

13.3 Notwithstanding anything to the contrary contained in this Agreement; the Company may terminate the Employee's employment without notice and/or severance, if the Employee commits any of the following:

- (a) an act of fraud, dishonesty, negligent performance of employment duties or the dereliction of employment duties;
- (b) a breach of the terms of this Agreement or the Confidentiality and Non-Competition Agreement, which breach is not fully corrected by the Employee within 5 days of notice from the Company; or
- (c) any act or omission which constitutes "just cause" for dismissal under the laws of British Columbia.

14. Termination of Employment by the Employee. The Employee may, without cause, terminate his/her employment upon 30 days' written notice to the Company. Following such notice from the Employee, the Company may require the Employee to perform his duties to the date of termination and the Employee will be paid his regular salary to date of termination. If the Company does not require the Employee to remain for the duration of his/her notice, the Company may pay the Employee severance pay in accordance with the laws of British Columbia.

15. Death Benefit. If the Employee dies during the term of employment, the Company shall pay to the Employee's estate the Employee's prevailing salary less Government Deductions and Benefit Deductions up to and including the end of the month in which death occurred.

16. Assistance in Litigation. Employee shall upon reasonable notice and at the Company's expense, furnish such information and proper assistance to the Company as it may reasonably require in connection with any litigation in which it is, or may become, a party either during or after employment. The Employee may, at its option and at the Company's expense, retain a lawyer to attend with the Employee at any legal proceedings, which the Company requires the Employee to be present at.

17. Effect on Prior Agreements. This Agreement supersedes any prior employment agreement between the Company or any predecessor of the Company and the Employee.

18. Settlement by Arbitration. Any claim or controversy that arises out of or relates to this agreement, or the breach of it, shall be settled by arbitration in accordance with the rules of the Commercial Arbitration Center of Vancouver, British Columbia. Judgment upon the award rendered may be entered in any court with jurisdiction.

19. Severability. If, for any reason, any provision of this Agreement is held invalid, all other provisions of this Agreement shall remain in effect. If this Agreement is held invalid or cannot be enforced, then to the full extent permitted by law any prior agreement between the Company (or any predecessor thereof) and the Employee shall be deemed reinstated as if this Agreement had not been executed.
20. Assumption of Agreement by Company's Successor and Assignees. The Company's rights and obligations under this Agreement will endure to the benefit and be binding upon the Company's successors and assignees.
21. Oral Modifications Not Binding. Oral modifications to this Agreement shall have no effect. This Agreement may be modified only by a written agreement signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.
22. Notices. Except as otherwise expressly provided herein, any and all notices or demands which must or maybe given hereunder or under any other instrument contemplated hereby shall be given by delivery in person or by regular mail or by facsimile transmission to the parties' respective address set out on the first page of this Agreement. All such communications, notices or presentations and demands provided for herein shall be deemed to have been delivered when actually delivered in person to the respective party, or if mailed, then on the date it would be delivered in the ordinary course of mail, or if sent by facsimile transmission, on the date of receipt of confirmation that the transmission has been received. Any party may change its address hereunder on twenty days notice to the other party in compliance with this section.
23. General. Time will be of the essence hereof. The Employee acknowledges and declares that he has been provided with sufficient time and opportunity to consider all factors relating to this Agreement, has retained, and consulted independent counsel to advise him, or in the alternative has elected to waive his right to retain and consult independent counsel. He further acknowledges and declares that he has read and understands the terms of this Agreement and has signed it voluntarily with full awareness of its consequences. This Agreement may not be assigned by the Employee without the express written consent of the Company. Wherever the singular masculine or neuter is used in this Agreement, the same shall be construed as meaning the plural or feminine, and visa versa, where the context or the parties so require. The headings used herein are for convenience of reference only and shall not affect the interpretation of this Agreement. Facsimile or photostat copies of signatures are acceptable and are of the same force and effect as original signatures for all intents and purposes. The waiver by either party of any breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach. The provisions of sections 7 and 16 herein shall survive the termination of the Employee's employment and this Agreement. This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. The preambles or recitals hereto are hereby incorporated herein and form an integral part of this Agreement. This Agreement shall entire to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

IN WITNESS WHEREOF the parties hereto have duly executed this agreement under seal as of the date first above written.

EDUVERSE ACCELERATED LEARNING SYSTEMS (CANADA), INC.

(Authorized Signature)

SIGNED, SEALED and DELIVERED by the Employee in the presence of:

Signature

Name

Address

Occupation

Signature of Employee

Date Signed

EDUV Employee

SCHEDULE "A"

This Schedule sets out the general duties of the position that the Employee has accepted with the Company. This Schedule may be amended by a written job description to be prepared by his/her Manager from time to time.

WORK DESCRIPTION: To perform creative marketing and research activities for the Company.

EDUVERSE Accelerated Learning Systems (Canada), Inc.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is dated for reference the 3rd day of May 1999.

BETWEEN

EDUVERSE Accelerated Learning Systems (Canada), Inc., a company incorporated under the laws of the Province of British Columbia and having an office at 2nd Floor, 1235 West Pender Street, Vancouver, British Columbia, V6E 2V6.

(hereinafter referred to as the "Company")

AND

Jeffrey Mah having an address for notice at 2861 Willoughby Avenue, Burnaby, BC, Canada V3J1K5.

(hereinafter referred to as the "Employee")

WHEREAS:

- A. The Company is principally engaged in the business of researching, developing and marketing multimedia educational software products (the "Company's Business"),
B. The Employee has been hired by the Company to work in the Company's Business;
C. The Employee and the Company wish to enter into this Agreement to record the terms of employment between them;

NOW THEREFORE THIS AGREEMENT WITNESSES that for good consideration, the Company hereby employs the Employee on the following terms and conditions:

- 1. Term of Employment. Subject to the provisions for termination set forth below, the Employee's employment with the Company, pursuant to this Agreement will begin on August 1, 1998 and continue until terminated in accordance with this Agreement.
2. Salary. The Company shall pay the Employee a salary of \$6,500.00 per month for the services of the Employee, payable at regular payroll periods established by the Company. The Employee's salary will be subject to deductions for Income Tax, Canada Pension Plan and Employment Insurance remittances (collectively the "Government Deductions") and for the Employee's contributions to the employee benefit plan to be established by the Company on terms approved by the Directors of the Company ("Benefit Deductions").
3. Duties and Position. The Company will employ the Employee in the capacity of Chief Technology Officer. The Employee's duties shall include those commonly associated with the aforesaid capacity, including without limitation the duties set out in Schedule "A". The Employee agrees that his duties

EDUV Employee

may be reasonably modified at the Company's discretion from time to time The Employee will report to the President, or such other Company employee that may be designated by the management of the Company (hereafter referred to as "Manager") and will comply with all lawful instructions given by his/her Manager.

- 4. Policies and Procedures. The Employee shall abide by all policies and procedures defined by the Company in the Employee Orientation letter. These policies and procedures may be updated and changed at any time at the discretion of the Company.
5. Privacy. The company may monitor and/or review all email, voice mail, Internet browser usage and phone calls when deemed necessary by the Company without prior notice.
6. Devote Full Time to Company. The Employee will use his best efforts to promote the interests of the Company. The Employee will devote full time, attention and energies to the Company's Business, and during employment with the Company, will not engage in any other business activity, regardless of whether such activity is pursued for profit, gain, or other pecuniary advantage. The Employee is not prohibited from making personal investments in any other businesses provided those such businesses are not engaged in activities which are or may be competitive with the Company's Business and provided such investments do not require the Employee's active

involvement. The Employee shall not commit or purport to commit the Company to:

- (a) any financial obligation or liability in excess of \$1,000.00, or
- (b) sell or encumber any part of the assets of the Company.

7. Confidentiality. The Employee will not, during or after the term of his employment, reveal any confidential information or trade secrets of the Company to any person, firm, corporation, or entity. If the Employee reveals or threatens to reveal any such information, the Company shall be entitled to an injunction restraining the Employee from disclosing same, or from rendering any services to any entity to whom said information has been or is threatened to be disclosed. The right to secure an injunction is not exclusive, and the Company may pursue any other remedies it has against the Employee for a breach or threatened breach of this condition, including the recovery of damages from the Employee. The Employee shall promptly sign and deliver the Company's form of Confidentiality and Non-Competition Agreement as a condition of employment.

8. Reimbursement of Expenses. The Employee may incur reasonable expenses for furthering the Company's Business, including expenses for entertainment, travel, and similar items. The Employee will obtain prior acceptance of the expenses from his/her Manager. The Company shall reimburse the Employee for all business expenses after the Employee presents a pre-approved itemized account of expenditures including original receipts, which is approved by his/her Manager pursuant to Company policy.

EDUV Employee

9. Vacation. The Employee shall be entitled to a yearly paid vacation of 3 weeks and increases in accordance with the labour laws of British Columbia. The Employee shall have due regard to the policies of the Company relating to the scheduling of vacations and the reasonable directions of his/her Manager.
10. Benefits. The Employee shall, subject to shareholder approval and regulatory approval, be entitled to the following benefits from the Company (with the specific details and terms of the following benefits to be determined by the Directors of the Company from time to time):
 - (a) the Employee will participate in a stock option plan under which the Employee will receive a stock option for the subscription purchase of 175,000 Common Shares in the Company at an exercise price of \$1.50 US per share;
 - (b) the Employee will participate in a stock purchase plan (as and when established by the Company) under which the Employee will receive an option to acquire an equity interest in the Company through payroll deductions;
 - (c) the Employee will participate in a group benefits package that will include disability insurance and term life insurance plans for employees of the Company.
11. Open Market Stock Trading Restrictions. All Employees participating in open market trades of the Company's shares, whether buying or selling, must first notify the CFO or President of the Company. An Employee who purchases shares of the Company on the open market must hold and may not sell those shares for a minimum of 6 (six) months from the date of the last purchase of any shares of the Company on the open market by such Employee. An Employee who sells shares of the Company must wait a minimum of 6 (six) months from the date of the last sale of Company shares by that Employee before purchasing additional shares of the Company's stock on the open market.

These restrictions do not apply to the exercise of stock options or the shares acquired by an Employee pursuant to the exercise of stock options.

12. Disability. It is understood and agreed that while the Employee is entitled to receive payments under any disability insurance plan for Employees of the Company, then the Employee will not be entitled during such time, to receive the salary set out in Section 2. The Employee's full compensation will be reinstated upon the Employee's return to work on a full-time basis.

If the Employee is absent from work or is unable to fully and effectively perform his duties because of illness or incapacity or for any other reason for a continuous period of more than 270 days or for an aggregate period of more than 270 days in any period of 365 days, then the Employer shall have the option to terminate the Employee's employment upon 30 days prior written notice.

13. Termination of Employment by the Company.

13.1 The Company may terminate the Employee's employment and this Agreement at any time upon 14 days' written notice to the Employee. At the Company's discretion, the Employee will continue to perform his duties and will be paid his regular salary up to the date of termination; or the Company will pay the Employee severance pay in accordance with the labour laws of British Columbia, less applicable Government Deductions and Benefit Deductions.

13.2 Notwithstanding anything to the contrary contained in this Agreement, the Company may (provided that the Common Shares of the Company have not been the subject of a successful takeover bid) terminate the Employee's employment upon 14 days' notice to the Employee without payment of any severance allowance should any of the following events occur:

- (a) The Company's decision to terminate its business and liquidate its assets; or
- (b) Bankruptcy or reorganization of the Company to protect its assets from creditors.

13.3 Notwithstanding anything to the contrary contained in this Agreement; the Company may terminate the Employee's employment without notice and/or severance, if the Employee commits any of the following:

- (a) an act of fraud, dishonesty, negligent performance of employment duties or the dereliction of employment duties;
- (b) a breach of the terms of this Agreement or the Confidentiality and Non-Competition Agreement, which breach is not fully corrected by the Employee within 5 days of notice from the Company; or
- (c) any act or omission which constitutes "just cause" for dismissal under the laws of British Columbia.

- 14. Termination of Employment by the Employee. The Employee may, without cause, terminate his/her employment upon 30 days' written notice to the Company. Following such notice from the Employee, the Company may require the Employee to perform his duties to the date of termination and the Employee will be paid his regular salary to date of termination. If the Company does not require the Employee to remain for the duration of his/her notice, the Company may pay the Employee severance pay in accordance with the laws of British Columbia.
- 15. Death Benefit. If the Employee dies during the term of employment, the Company shall pay to the Employee's estate the Employee's prevailing salary less Government Deductions and Benefit Deductions up to and including the end of the month in which death occurred.
- 16. Assistance in Litigation. Employee shall upon reasonable notice and at the Company's expense, furnish such information and proper assistance to the Company as it may reasonably require in connection with any litigation in which it is, or may become, a party either during or after employment. The Employee may, at its option and at the Company's expense, retain a lawyer to attend with the Employee at any legal proceedings, which the Company requires the Employee to be present at.
- 17. Effect on Prior Agreements. This Agreement supersedes any prior employment agreement between the Company or any predecessor of the Company and the Employee.
- 18. Settlement by Arbitration. Any claim or controversy that arises out of or relates to this agreement, or the breach of it, shall be settled by arbitration in accordance with the rules of the Commercial Arbitration Center of Vancouver, British Columbia. Judgment upon the award rendered may be entered in any court with jurisdiction.

19. Severability. If, for any reason, any provision of this Agreement is held invalid, all other provisions of this Agreement shall remain in effect. If this Agreement is held invalid or cannot be enforced, then to the full extent permitted by law any prior agreement between the Company (or any predecessor thereof) and the Employee shall be deemed reinstated as if this Agreement had not been executed.
20. Assumption of Agreement by Company's Successor and Assignees. The Company's rights and obligations under this Agreement will endure to the benefit and be binding upon the Company's successors and assignees.
21. Oral Modifications Not Binding. Oral modifications to this Agreement shall have no effect. This Agreement may be modified only by a written agreement signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.
22. Notices. Except as otherwise expressly provided herein, any and all notices or demands which must or maybe given hereunder or under any other instrument contemplated hereby shall be given by delivery in person or by regular mail or by facsimile transmission to the parties' respective address set out on the first page of this Agreement. All such communications, notices or presentations and demands provided for herein shall be deemed to have been delivered when actually delivered in person to the respective party, or if mailed, then on the date it would be delivered in the ordinary course of mail, or if sent by facsimile transmission, on the date of receipt of confirmation that the transmission has been received. Any party may change its address hereunder on twenty days notice to the other party in compliance with this section.
23. General. Time will be of the essence hereof. The Employee acknowledges and declares that he has been provided with sufficient time and opportunity to consider all factors relating to this Agreement, has retained, and consulted independent counsel to advise him, or in the alternative has elected to waive his right to retain and consult independent counsel. He further acknowledges and declares that he has read and understands the terms of this Agreement and has signed it voluntarily with full awareness of its consequences. This Agreement may not be assigned by the Employee without the express written consent of the Company. Wherever the singular masculine or neuter is used in this Agreement, the same shall be construed as meaning the plural or feminine, and visa versa, where the context or the parties so require. The headings used herein are for convenience of reference only and shall not affect the interpretation of this Agreement. Facsimile or photostat copies of signatures are acceptable and are of the same force and effect as original signatures for all intents and purposes. The waiver by either party of any breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach. The provisions of sections 7 and 16 herein shall survive the termination of the Employee's employment and this Agreement. This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. The preambles or recitals hereto are hereby incorporated herein and form an integral part of this Agreement. This Agreement shall entire to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

IN WITNESS WHEREOF the parties hereto have duly executed this agreement under seal as of the date first above written.

EDUVERSE ACCELERATED LEARNING
SYSTEMS (CANADA), INC.

(Authorized Signature)

SIGNED, SEALED and DELIVERED by
the Employee in the presence of:

Signature

Name

Address

Occupation

Signature of Employee

Date Signed

EDUVERSE Accelerated Learning Systems (Canada), Inc.
Employment Agreement
Page 6 of 7

EDUV Employee

SCHEDULE "A"

This Schedule sets out the general duties of the position that the Employee has accepted with the Company. This Schedule may be amended by a written job description to be prepared by his/her Manager from time to time.

WORK DESCRIPTION: To perform product development activities for the Company.

REMUNERATION: After 3 months, the monthly salary will increase to \$9,000.

EDUVERSE Accelerated Learning Systems (Canada), Inc.
Employment Agreement
Page 6 of 7

EDUV Employee

EDUVERSE ACCELERATED LEARNING SYSTEMS (CANADA), INC.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is dated for reference the 3rd day of May 1999.

BETWEEN

EDUVERSE Accelerated Learning Systems (Canada), Inc., a company incorporated under the laws of the Province of British Columbia and having an office at 2nd Floor, 1235 West Pender Street, Vancouver, British Columbia, V6E 2V6.

(hereinafter referred to as the "Company")

AND

Lorne Reicher having an address for notice at #80 - 2615 Fortress Drive, Port Coquitlam, BC, Canada V3C6A8.

(hereinafter referred to as the "Employee")

WHEREAS:

- A. The Company is principally engaged in the business of researching, developing and marketing multimedia educational software products (the "Company's Business"),
B. The Employee has been hired by the Company to work in the Company's Business;
C. The Employee and the Company wish to enter into this Agreement to record the terms of employment between them;

NOW THEREFORE THIS AGREEMENT WITNESSES that for good consideration, the Company hereby employs the Employee on the following terms and conditions:

- 1. Term of Employment. Subject to the provisions for termination set forth below, the Employee's employment with the Company, pursuant to this Agreement will begin on January 1, 1999 and continue until terminated in accordance with this Agreement.
2. Salary. The Company shall pay the Employee a salary of \$5,000.00 per month for the services of the Employee, payable at regular payroll periods established by the Company. The Employee's salary will be subject to deductions for Income Tax, Canada Pension Plan and Employment Insurance remittances (collectively the "Government Deductions") and for the Employee's contributions to the employee benefit plan to be established by the Company on terms approved by the Directors of the Company ("Benefit Deductions").
3. Duties and Position. The Company will employ the Employee in the capacity of Vice President Operations. The Employee's duties shall include those commonly associated with the aforesaid capacity, including without limitation the duties set out in Schedule "A". The Employee agrees that

EDUV Employee

his duties may be reasonably modified at the Company's discretion from time to time The Employee will report to the President, or such other Company employee that may be designated by the management of the Company (hereafter referred to as "Manager") and will comply with all lawful instructions given by his/her Manager.

- 4. Policies and Procedures. The Employee shall abide by all policies and procedures defined by the Company in the Employee Orientation letter. These policies and procedures may be updated and changed at any time at the discretion of the Company.
5. Privacy. The company may monitor and/or review all email, voice mail, Internet browser usage and phone calls when deemed necessary by the Company without prior notice.
6. Devote Full Time to Company. The Employee will use his best efforts to promote the interests of the Company. The Employee will devote full time, attention and energies to the Company's Business, and during employment with the Company, will not engage in any other business activity, regardless of whether such activity is pursued for profit, gain, or other pecuniary advantage. The Employee is not prohibited from making personal investments in any other businesses provided those such businesses are not engaged in activities which are or may be competitive with the Company's Business and provided such investments do not require the Employee's active

involvement. The Employee shall not commit or purport to commit the Company to:

- (a) any financial obligation or liability in excess of \$100.00, or
- (b) sell or encumber any part of the assets of the Company.

7. Confidentiality. The Employee will not, during or after the term of his employment, reveal any confidential information or trade secrets of the Company to any person, firm, corporation, or entity. If the Employee reveals or threatens to reveal any such information, the Company shall be entitled to an injunction restraining the Employee from disclosing same, or from rendering any services to any entity to whom said information has been or is threatened to be disclosed. The right to secure an injunction is not exclusive, and the Company may pursue any other remedies it has against the Employee for a breach or threatened breach of this condition, including the recovery of damages from the Employee. The Employee shall promptly sign and deliver the Company's form of Confidentiality and Non-Competition Agreement as a condition of employment.

8. Reimbursement of Expenses. The Employee may incur reasonable expenses for furthering the Company's Business, including expenses for entertainment, travel, and similar items. The Employee will obtain prior acceptance of the expenses from his/her Manager. The Company shall reimburse the Employee for all business expenses after the Employee presents a pre-approved itemized account of expenditures including original receipts, which is approved by his/her Manager pursuant to Company policy.

EDUV Employee

9. Vacation. The Employee shall be entitled to a yearly paid vacation of 2 weeks and increases in accordance with the labour laws of British Columbia. The Employee shall have due regard to the policies of the Company relating to the scheduling of vacations and the reasonable directions of his/her Manager.
10. Benefits. The Employee shall, subject to shareholder approval and regulatory approval, be entitled to the following benefits from the Company (with the specific details and terms of the following benefits to be determined by the Directors of the Company from time to time):
 - (a) the Employee will participate in a stock option plan under which the Employee will receive a stock option for the subscription purchase of 100,000 Common Shares in the Company at an exercise price of \$0.68 US per share;
 - (b) the Employee will participate in a stock purchase plan (as and when established by the Company) under which the Employee will receive an option to acquire an equity interest in the Company through payroll deductions;
 - (c) the Employee will participate in a group benefits package that will include disability insurance and term life insurance plans for employees of the Company.
11. Open Market Stock Trading Restrictions. All Employees participating in open market trades of the Company's shares, whether buying or selling, must first notify the CFO or President of the Company. An Employee who purchases shares of the Company on the open market must hold and may not sell those shares for a minimum of 6 (six) months from the date of the last purchase of any shares of the Company on the open market by such Employee. An Employee who sells shares of the Company must wait a minimum of 6 (six) months from the date of the last sale of Company shares by that Employee before purchasing additional shares of the Company's stock on the open market.

These restrictions do not apply to the exercise of stock options or the shares acquired by an Employee pursuant to the exercise of stock options.

12. Disability. It is understood and agreed that while the Employee is entitled to receive payments under any disability insurance plan for Employees of the Company, then the Employee will not be entitled during such time, to receive the salary set out in Section 2. The Employee's full compensation will be reinstated upon the Employee's return to work on a full-time basis.

If the Employee is absent from work or is unable to fully and effectively perform his duties because of illness or incapacity or for any other reason for a continuous period of more than 270 days or for an aggregate period of more than 270 days in any period of 365 days, then the Employer shall have the option to terminate the Employee's employment upon 30 days prior written notice.

13. Termination of Employment by the Company.
 - 13.1 The Company may terminate the Employee's employment and this Agreement at any time upon 14 days' written notice to the Employee. At the Company's discretion, the Employee will continue to perform his duties and will be paid his regular salary up to the date of termination; or the Company will pay the Employee severance pay in accordance with the labour laws of British Columbia, less applicable Government Deductions and Benefit Deductions.

13.2 Notwithstanding anything to the contrary contained in this Agreement, the Company may (provided that the Common Shares of the Company have not been the subject of a successful takeover bid) terminate the Employee's employment upon 14 days' notice to the Employee without payment of any severance allowance should any of the following events occur:

- (a) The Company's decision to terminate its business and liquidate its assets; or
- (b) Bankruptcy or reorganization of the Company to protect its assets from creditors.

13.3 Notwithstanding anything to the contrary contained in this Agreement; the Company may terminate the Employee's employment without notice and/or severance, if the Employee commits any of the following:

- (a) an act of fraud, dishonesty, negligent performance of employment duties or the dereliction of employment duties;
- (b) a breach of the terms of this Agreement or the Confidentiality and Non-Competition Agreement, which breach is not fully corrected by the Employee within 5 days of notice from the Company; or
- (c) any act or omission which constitutes "just cause" for dismissal under the laws of British Columbia.

14. Termination of Employment by the Employee. The Employee may, without cause, terminate his/her employment upon 30 days' written notice to the Company. Following such notice from the Employee, the Company may require the Employee to perform his duties to the date of termination and the Employee will be paid his regular salary to date of termination. If the Company does not require the Employee to remain for the duration of his/her notice, the Company may pay the Employee severance pay in accordance with the laws of British Columbia.

15. Death Benefit. If the Employee dies during the term of employment, the Company shall pay to the Employee's estate the Employee's prevailing salary less Government Deductions and Benefit Deductions up to and including the end of the month in which death occurred.

16. Assistance in Litigation. Employee shall upon reasonable notice and at the Company's expense, furnish such information and proper assistance to the Company as it may reasonably require in connection with any litigation in which it is, or may become, a party either during or after employment. The Employee may, at its option and at the Company's expense, retain a lawyer to attend with the Employee at any legal proceedings, which the Company requires the Employee to be present at.

17. Effect on Prior Agreements. This Agreement supersedes any prior employment agreement between the Company or any predecessor of the Company and the Employee.

18. Settlement by Arbitration. Any claim or controversy that arises out of or relates to this agreement, or the breach of it, shall be settled by arbitration in accordance with the rules of the Commercial Arbitration Center of Vancouver, British Columbia. Judgment upon the award rendered may be entered in any court with jurisdiction.

19. Severability. If, for any reason, any provision of this Agreement is held invalid, all other provisions of this Agreement shall remain in effect. If this Agreement is held invalid or cannot be enforced, then to the full extent permitted by law any prior agreement between the Company (or any predecessor thereof) and the Employee shall be deemed reinstated as if this Agreement had not been executed.
20. Assumption of Agreement by Company's Successor and Assignees. The Company's rights and obligations under this Agreement will endure to the benefit and be binding upon the Company's successors and assignees.
21. Oral Modifications Not Binding. Oral modifications to this Agreement shall have no effect. This Agreement may be modified only by a written agreement signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.
22. Notices. Except as otherwise expressly provided herein, any and all notices or demands which must or maybe given hereunder or under any other instrument contemplated hereby shall be given by delivery in person or by regular mail or by facsimile transmission to the parties' respective address set out on the first page of this Agreement. All such communications, notices or presentations and demands provided for herein shall be deemed to have been delivered when actually delivered in person to the respective party, or if mailed, then on the date it would be delivered in the ordinary course of mail, or if sent by facsimile transmission, on the date of receipt of confirmation that the transmission has been received. Any party may change its address hereunder on twenty days notice to the other party in compliance with this section.
23. General. Time will be of the essence hereof. The Employee acknowledges and declares that he has been provided with sufficient time and opportunity to consider all factors relating to this Agreement, has retained, and consulted independent counsel to advise him, or in the alternative has elected to waive his right to retain and consult independent counsel. He further acknowledges and declares that he has read and understands the terms of this Agreement and has signed it voluntarily with full awareness of its consequences. This Agreement may not be assigned by the Employee without the express written consent of the Company. Wherever the singular masculine or neuter is used in this Agreement, the same shall be construed as meaning the plural or feminine, and visa versa, where the context or the parties so require. The headings used herein are for convenience of reference only and shall not affect the interpretation of this Agreement. Facsimile or photostat copies of signatures are acceptable and are of the same force and effect as original signatures for all intents and purposes. The waiver by either party of any breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach. The provisions of sections 7 and 16 herein shall survive the termination of the Employee's employment and this Agreement. This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. The preambles or recitals hereto are hereby incorporated herein and form an integral part of this Agreement. This Agreement shall entire to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

IN WITNESS WHEREOF the parties hereto have duly executed this agreement under seal as of the date first above written.

EDUVERSE ACCELERATED LEARNING
SYSTEMS (CANADA), INC.

(Authorized Signature)

SIGNED, SEALED and DELIVERED by
the Employee in the presence of:

Signature

Name

Address

Occupation

Signature of Employee

Date Signed

EDUVERSE Accelerated Learning Systems (Canada), Inc.
Employment Agreement
Page 6 of 7

EDUV Employee

SCHEDULE "A"

This Schedule sets out the general duties of the position that the Employee has accepted with the Company. This Schedule may be amended by a written job description to be prepared by his/her Manager from time to time.

WORK DESCRIPTION: To perform activities related to the operations of the Company.

STOCK EXCHANGE AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT, dated May 28, 1998, is made by and between PERFECT FUTURE, LTD., a Nevada corporation (the "Buyer"), on the one hand, and ESL PRO SYSTEMS INC., a corporation incorporated under the laws of the State of Nevada and hereafter referred to as "ESL PRO" or as the "Sellers" and MARK E. BRUK duly authorized and appointed agent of the shareholders of ESL PRO, whose names appear on "Exhibit A" attached hereto and who constitute all of the shareholders of ESL PRO, on the other hand.

RECITALS

A. WHEREAS ESL PRO has an exclusive license to develop, market and sell an existing ESL (English as a Second Language) software and hardware system developed in Canada;

B. AND WHEREAS the Sellers are desirous of joining together to go public by exchanging the shares of ESL PRO for shares of an existing publicly traded entity on the NASD, OTC Bulletin Board, in a share for a share transaction intending to qualify as a tax-free exchange pursuant to ss.368(a)(1)(B) of the Internal Revenue Code of 1986, as amended;

C. AND WHEREAS the Buyer is a publicly traded company listed on the NASD, OTC Bulletin Board, with 2,250,000 (Two Million, Two Hundred and Fifty Thousand) shares outstanding and desires to acquire the Sellers, for 2,000,000 (Two Million) of its common shares. NOW THEREFORE the parties hereby agree that in implementing said tax-free exchange and in consideration of the mutual covenants set forth below, the parties hereby agree as follows:

Article I

EXCHANGE OF THE SHARES

1.01 Shares Being Exchanged. Subject to the terms and conditions of this Agreement, the Sellers are selling, assigning, and delivering at the closing provided for in Section 1.03 hereof (the "Closing"), 2,000,000 (Two Million) common shares of ESL PRO, which shares represent all of the issued and outstanding common shares of ESL PRO, free and clear of all liens, charges, or encumbrances of any kind.

1.02 Consideration. In exchange for the said common shares of ESL PRO being acquired by the Buyer, at the Closing, the Buyer will deliver to the Sellers 2,000,000 (Two Million) "restricted" common shares of the Buyer as that term is defined in Rule 144 of the Securities Act of 1933, as amended.

Stock Exchange Agreement between Perfect Future, Ltd. and ESL Pro Systems, Inc.
Page 1 of 16

1.03 Closing. The Closing of the transactions provided for in Section 1.04 and 1.05 is to take place at the offices of ESL PRO at Reno, Nevada simultaneously with the execution and delivery of this Agreement, or at such other time or place as may mutually be agreed upon by the parties. The Closing may also be accomplished by wire, express mail, or other courier service, conference call, or as otherwise agreed by the respective parties or their duly authorized representatives.

1.04 Delivery by the Sellers. At the Closing, the Sellers will deliver to the attorneys for the Buyer: (i) certificates representing the said common shares of the Sellers, in form acceptable for transfer on the books of ESL PRO, with all necessary transfer tax stamps attached; and (ii) all corporate records and items set forth, the said certificates to be released to the Buyer when the stock certificates referred to in Section 1.05 are delivered to the Sellers.

1.05 Delivery by the Buyer. At the Closing, or as soon as is practicable thereafter, the Buyer will deliver to the Sellers, (i) stock certificates for the said common shares of the Buyer, in the denominations set forth in "Exhibit A"; and (ii) all corporate records and items set forth.

Article II

RELATED TRANSACTIONS

2.01 Expenses of the Transactions. The Buyer shall be responsible for paying all expenses of this transaction, including but not limited to any filing fees, legal fees not to exceed \$5,000 (Five Thousand Dollars), accounting fees, escrow agent fees, printing expenses, certificate engraving fees and transfer fees.

2.02 Additional Offering of Shares. The Buyer intends, shortly after the Closing hereof, to attempt to raise additional operating capital through a private offering of securities, contemplated to be offered pursuant to an exemption under Regulation S of the Securities Act of 1933, as amended.

Article III

REPRESENTATIONS AND WARRANTIES BY THE BUYER

The Buyer hereby represents and warrants as follows:

3.01 Organization, Capitalization, etc.

(a) The Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of Nevada.

(b) The authorized capital stock of the Buyer consists of 50,000,000 (Fifty Million) common shares with a par value of \$.001 per share, of which only 2,250,000 (Two Million, Two Hundred and Fifty Thousand) are issued and outstanding, fully paid and nonassessable, and 5,000,000 (Five Million) preferred shares with a par value of \$.001 per share, of which none are issued or outstanding.

(c) The Buyer has the corporate power and authority to carry on its business as presently conducted and has full corporate power and authority to enter into this Agreement and to carry out its obligations hereunder and the Buyer has been so authorized by the required majority of its shareholders as evidenced by a certified resolution of the shareholders of the Buyer and delivered to the Sellers at Closing.

3.02 Non Violation. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will constitute a violation or default under any term or provision of the Certificate of Incorporation or Bylaws of the Buyer, or of any contract, commitment, indenture, other agreement or restriction of any kind or character to which the Buyer is a party or by which the Buyer is bound.

3.03 Financial Statement. The Buyer has delivered to the Seller the balance sheet of the Buyer as of June 30, 1997, prepared by Barry L. Friedman, P.C., C.P.A. The balance sheet is true and correct and a fair and accurate presentation of the financial condition, assets and liabilities (whether accrued, absolute, contingent, or otherwise) of the Buyer as of the date thereof in accordance with generally accepted principals of accounting applied on a consistent basis.

3.04 Tax Returns. The Buyer has duly filed all tax reports and returns required to be filed by it and has fully paid all taxes and other charges claimed to be due from it by federal, state, or local taxing authorities (including without limitation those due in respect of its properties, income, franchises, licenses, sales, and payrolls); there are not liens upon any of the Buyer's property or assets; and there are not now any pending questions relating to, or claims asserted for, taxes or assessments asserted against the Buyer.

3.05 Title to Properties: Encumbrances. The Buyer has good and marketable title to all of its properties and assets, real and personal, tangible and intangible, including without limitation the properties and assets reflected in the June 30, 1997 balance sheet of the Buyer. All such properties and assets reflected in that balance sheet have fair market or realizable value at least equal to the value thereof as reflected upon the balance sheet, and they are subject to no mortgage, pledge, lien, conditional sale agreement, encumbrance, or charge of any nature.

3.06 Accounts Receivable. Any accounts receivable of the Buyer, whether reflected in the Buyer's June 30, 1997 balance sheet or otherwise, represent sales actually made in the ordinary course of business and any reserve for uncollectability of receivables as reflected in the aforesaid balance sheet is adequate and was calculated in a way consistent with past practice. Except to extent set forth herein, there are not now any questions,

controversies, or disputes relating to any accounts receivable of the Buyer.

3.07 Undisclosed Liabilities. Except to the extent reflected, or reserved against, in the June 30, 1997 balance sheet of the Buyer, the Buyer as of that date had no liabilities or obligations of any nature, whether absolute, accrued, contingent, or otherwise, whether due or to become due.

3.08 Absence of Certain Changes. The Buyer has not since June 30 1997, and shall not, have

- (a) Suffered any material adverse change in financial condition, assets, liabilities, or business;
- (b) Incurred any obligation or liability (whether absolute, accrued, contingent, or otherwise) other than as disclosed to the Sellers;
- (c) Paid any claim or discharged or satisfied any lien or encumbrance or paid or satisfied any liability (whether absolute, accrued, contingent, or otherwise) other than liabilities shown or reflected in the Buyer's June 30, 1997 balance sheet or liabilities incurred since June 30, 1997 other than those disclosed to the Sellers;
- (d) Permitted or allowed any of its assets, tangible or intangible, to be mortgaged, pledged, or subjected to any liens or encumbrances;
- (e) Written down the value of any inventory or written-off as uncollectible any notes or accounts receivable or any portion thereof, except for write-offs of such items as disclosed to the Sellers;
- (f) Cancelled any other debts or claims or waived any rights of substantial value, or sold or transferred any of its assets or properties, tangible or intangible, other than sales of inventory or merchandise as disclosed to the Sellers;
- (g) Made any capital expenditures or commitments for additions to property, plant or equipment;
- (h) Declared, paid or set aside for payment to its stockholders any dividend or other distribution in respect of its capital stock or redeemed or purchased or otherwise acquired any of its capital stock or any options relating thereto or agreed to take any such action;
- (i) Made any material change in any method of accounting or accounting practice.

3.09 Litigation. There are no actions, claims, proceedings, or investigations pending or, to the knowledge of the Buyer, threatened against the Buyer, and the Buyer knows, or has no reason to know, of any basis for any such action, proceeding, or investigation. There is no event or condition of any kind or character pertaining to the business, assets, or prospects

of the buyer that may materially and adversely affect such business, assets or prospects.

3.10 Disclosure. The Buyer has disclosed to the Sellers all facts material to the assets, prospects, and business of the Buyer. No representation or warranty by the Buyer contained in this Agreement, and no statement contained in any instrument, list, certificate, or writing furnished to the Sellers pursuant to the provisions hereof or in connection with the transaction contemplated hereby, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading or necessary in order to provide a prospective purchaser of the business of the Buyer with proper information as to the buyer and its affairs.

3.11 SEC Filings. The Buyer has filed on a timely basis all reports required to be filed with the United States Securities and Exchange Commission (hereinafter the "SEC").

3.12 Legend. The Certificates representing the shares in the Buyer, delivered by Buyer to Seller pursuant to this Agreement shall bear a legend in the following or similar form:

"The shares represented by this certificate have not been registered under the Securities Act of 1933 (the "Act"), as amended, or any other applicable federal or state securities acts; and are 'restricted securities' as defined by Rule 144 of the Act. The shares may not be transferred, sold or otherwise disposed of unless: (1) a registration statement with respect to the shares shall be effective under the act or any other federal or state securities acts and (2) Buyer shall have received an opinion of counsel for that no violations of any securities acts will be involved in any transfer."

3.13 Holding Period. If the shares represented by these Certificates have been held for a period of at least one (1) year and if Rule 144 of the Act is applicable (there being no representations by the Buyer that Rule 144 is applicable), then the Sellers may make sales of the Shares only under the terms and conditions prescribed by Rule 144 of the Act.

3.14 Investment Intent. The Buyer is acquiring the said shares of the Sellers to be transferred to it under this Agreement for investment and not with a view to the sale or distribution thereof, and the Buyer has no commitment or present intention to liquidate ESL PRO or to sell or otherwise dispose of the Shares.

3.15 Unregistered Shares and Access to Information. The Buyer understands the offer and sale of the said shares of the Sellers have not been registered with or reviewed by the Securities and Exchange Commission under the Securities Act of 1933, as amended, or with or by any state securities law administrator, and no federal or state securities law administrator has reviewed or approved any disclosure or other material concerning ESL PRO or the shares in the Buyer. The Buyer has been provided with and reviewed all information concerning ESL PRO and the said shares of the Sellers, as it has considered necessary or appropriate as a prudent and knowledgeable investor to enable it to make an informed investment decision concerning the said shares of the Sellers.

Article IV

REPRESENTATIONS AND WARRANTIES BY THE SELLERS

The Sellers hereby represent and warrant as follows:

4.01 Organization, etc.

(a) ESL PRO is a corporation duly organized, validly existing, and in good standing under the laws of the State of Nevada.

(b) The authorized capital stock of ESL PRO consists of 10,000,000 (Ten Million) common shares with a par value of \$.001 per share, 2,000,000 (Two Million) of which are validly issued and outstanding, fully paid and nonassessable.

(c) The Sellers have the corporate power and authority to carry on their business as presently conducted and have full corporate power and authority to enter into this Agreement and to carry out their obligations hereunder.

4.02 Authority. The execution and delivery of this Agreement by the Buyer and the consummation by ESL PRO and Sellers of the transactions contemplated hereby have been duly authorized.

4.03 No Violation. Neither the execution nor the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will constitute a violation or default under any term or provision of the Certificate of Incorporation or Bylaws of ESL PRO or of any contract, commitment, indenture, or other agreement or restriction of any kind or character to which ESL PRO is a party or by which they or the Sellers are bound.

4.04 Representations Regarding the Acquisition of the Shares.

(a) The undersigned understand that the SAID SHARES OF THE BUYER TO BE RECEIVED FROM THE BUYER HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCIES;

(b) The Sellers are not underwriters and are acquiring the said shares of the Buyer solely for investment for their own account and not with a view to, or for, resale in connection with any distribution within the meaning of the federal securities act, the state securities acts or any other applicable state securities acts;

(c) The Sellers understand the speculative nature and risks of investments associated with the Buyer and confirm that the said shares of the Buyer are suitable and consistent with their investment program and that their financial position enables them to bear the risks of this investment; and that there may not be any

public market for the said shares of the Buyer subscribed for herein;

(d) The said shares of the Buyer to be received by the Sellers may not be transferred, encumbered, sold, hypothecated, or otherwise disposed of to any person, without the express prior written consent of the Buyer and the prior opinion of counsel for the Buyer that such disposition will not violate federal and/or state securities acts. Disposition shall include, but is not limited to acts of selling, assigning, transferring, pledging, encumbering, hypothecating, or any form of conveying, whether voluntary or not;

(e) To the extent that any federal, and/or state securities laws shall require, the Sellers hereby agree that any shares of the Buyer acquired pursuant to this Agreement shall be without preference as to assets;

(f) The Buyer is under no obligation to register or seek an exemption under any federal and/or state securities acts for any shares of the Buyer or to cause or permit such shares to be transferred in the absence of any such registration or exemption and that the Sellers herein must hold such shares indefinitely unless such shares are subsequently registered under any federal and/or state securities acts or any exemption from registration is available;

(g) The Sellers have been given: (1) all material books and records of the Buyer; and (2) all material contracts and documents relating to the proposed transactions;

(h) The Sellers have satisfied the suitability standards imposed by their respective state securities laws. The said shares of the Buyer being acquired from the Buyer have not been registered under federal or state securities laws. The Sellers acknowledge that the Buyer has not complied with any state securities laws in seeking an exemption from the transactions contemplated by this Agreement. Accordingly, the Sellers waive any and all rights, claims or causes of action they may have against the Buyer under any state securities laws as a result of the Buyer's failure to comply with applicable state securities laws.

4.05 Undisclosed Liabilities. ESL PRO has no liabilities or obligations of any nature, whether absolute, accrued, contingent, or otherwise.

4.06 Absence of Certain Changes. ESL PRO shall not from the date of the balance sheet (attached hereto as "Exhibit B") and income statements (attached hereto as "Exhibit C") to be provided have:

(a) Suffered any material adverse change in financial condition, assets, liabilities, business, or prospects;

(b) Incurred any obligation or liability (whether absolute, accrued, contingent, or otherwise) other than in the ordinary course of business and consistent with past

practices;

(c) Paid any claim or discharged or satisfied any lien or encumbrances or paid or satisfied any liability (whether absolute, accrued, contingent, or otherwise) other than liabilities to be shown or reflected in the audited balance sheets or liabilities incurred in the ordinary course of business and consistent with past practices;

(d) Permitted or allowed any of their assets, tangible or intangible, to be mortgaged, pledged, or subjected to any liens or encumbrances;

(e) Written down the value of any inventory or written-off as uncollectible any notes or accounts receivable or any portion thereof, except for write-offs of such items in the ordinary course of business;

(f) Cancelled any other debts or claims or waived any rights of substantial value, or sold or transferred any assets or properties, tangible or intangible, other than sales of inventory or merchandise made in the ordinary course of business and consistent with past practice;

(g) Made any capital expenditures or commitments in excess of \$2,000 (Two Thousand Dollars) for additions to property, plant or equipment;

(h) Declared, paid, or set aside for payment to stockholders any dividend or other distribution in respect of its capital stock or any options relating thereto or agreed to take any such options relating thereto or agreed to take any such action;

(i) Made any material change in any method of accounting or accounting practice.

4.07 Litigation. There are no actions, proceedings, or investigations pending or, to the knowledge of the Sellers, threatened against ESL PRO, and Sellers know, or have no reason to know, of any basis for any such actions, proceeding, or investigation. There is no event or condition of any kind or character pertaining to the businesses, assets, or prospects of ESL PRO that may materially and adversely affect such business, assets or prospects.

4.08 Disclosure. ESL PRO have disclosed to the Buyer all facts material to the assets, prospects, and business of ESL PRO, particularly with respect to ESL PRO's abilities to develop, market, and sell English as a Second Language software and hardware, ESL PRO's primary asset. No representation or warranty by ESL PRO contained in this agreement, and no statement contained in any instrument, list, certificate, or writing furnished to Buyer pursuant to the provisions hereof or in connection with the transaction contemplated hereby, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading or necessary in order to provide a prospective purchaser of the shares of ESL PRO with proper information as to ESL PRO and their affairs.

Article V

SURVIVAL OF REPRESENTATIONS; INDEMNIFICATION

5.01 Survival of Representations. All representations, warranties and agreements of the parties as contained in this Agreement, or expressly incorporated herein by reference, shall survive the Closing hereunder and any investigation made by or on behalf of any party hereto.

5.02 Statements as Representations. All statements contained herein, or in any certificate or other document delivered pursuant to this Agreement shall be deemed representations and warranties within the meaning of Section 5.01 hereof.

5.03 Indemnification by the Sellers. Subject to the terms and conditions of this Article 5, the Sellers (sometimes referred to herein as the "Indemnifying Party") hereby agree to indemnify, defend and hold harmless Buyer, any subsidiary, director, officer, employee, agent or representative of Buyer (collectively the "Indemnitees" and each individually, a "Indemnitee") from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties, attorneys' fees and expenses (collectively, "Damages"), asserted against, imposed upon or incurred by the Indemnitees or any Indemnitee, resulting from, relating to or arising out of:

(a) any breach of any representation, warranty or agreement of the Sellers contained in or made pursuant to this Agreement or any facts or circumstances constituting such a breach; or

(b) any act or omission of the Sellers or any of their respective affiliates, trustees, officers, employees, agents or representatives relating to the property, business, operations and activities of ESL PRO which occurred, existed or failed to occur or exist prior to the Closing; or

(c) any event, state of facts, circumstance or condition occurring or existing (or not occurring or not in existence if the absence of such fact, circumstance or condition forms the basis for Damages) relating to the property, business, operations or activities of the Sellers before the Closing.

5.04 Indemnification by Buyer. Subject to the terms and conditions of this Article 5, Buyer (sometimes referred to herein as the "Indemnifying Party") hereby agrees to indemnify, defend and hold harmless the Sellers, and any director, officer, employee, agent or representative of the same (collectively the "Indemnitees" and each individually, a "Indemnitee") from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties, attorneys' fees and expenses (collectively, "Damages"), asserted against, resulting from, imposed upon or incurred by the Indemnitees or any

Indemnitee, resulting from, relating to or arising out of:

(a) a breach of any representation, warranty or agreement of Buyer contained in or made pursuant to this Agreement or any facts or circumstances constituting such a breach;

(b) any act or omission of Buyer or any of their respective affiliates, directors, officers, employees, agents or representatives relating to the property, business, operations and activities of the Buyer which occurred, existed or failed to occur or exist subsequent to the Closing; or

(c) any event, state of facts, circumstance or condition occurring or existing (or not occurring or existing if the absence of such event, fact, circumstance or condition forms the basis for Damages) relating to the property, business, operations or activities of the Buyer subsequent to the Closing.

5.05 Notice of Indemnification Claims. If a claim is made against any Indemnitee (as defined in Section 5.03 or 5.04 hereof) and if such Indemnitee believes that such claim, if successful, would give rise to a right of indemnification hereunder against the Indemnifying Party (as defined in Section 5.03 or 5.04 hereof) or if any officer of an Indemnitee (an "executive officer") becomes aware of facts or circumstances establishing that an Indemnitee has experienced or incurred Damages subject to indemnification hereunder, then such Indemnitee shall give written notice to the Indemnifying Party of such claim as soon as reasonably practicable after the Indemnitee has received notice thereof, and in no event more than 60 days after the Indemnitee has obtained actual knowledge thereof (provided that failure to give such notice shall not limit the Indemnifying Party's indemnification obligation hereunder except to the extent that the delay in giving, or failure to give, the notice adversely affects the Indemnifying Party's ability to defend against the claim). The Indemnitee against whom such claim is made shall give the Indemnifying Party an opportunity to defend such claim, at the Indemnifying Party's own expense and with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnitee, provided that such Indemnitee shall at all times also have the right to fully participate in the defense at its own expense. Failure of an Indemnifying Party to give the Indemnitee written notice of its election to defend such claim within 20 days after notice thereof shall have been given by the Indemnitee against whom such claim is made to the Indemnifying Party shall be deemed a waiver by such Indemnifying Party of its right to defend such claim. If the Indemnifying Party shall elect not to assume the defense of such claim (or if such Indemnifying Party shall be deemed to have waived its right to defend such claim), the Indemnitee against whom such claim is made shall have the right, but not the obligation, to undertake the sole defense of, and to compromise or settle, the claim on behalf, for the account, and at the risk and expense, of the Indemnifying Party (including without limitation the payment by Indemnifying Party of the attorneys' fees of the Indemnitees). If one or more of the Indemnifying Parties assume the defense of such claim, the obligation of such Indemnifying Party hereunder as to such claim shall include taking all steps necessary in the defense or settlement of such claim. The Indemnifying Party shall not, in the defense of such claim, consent to the entry of any judgment or enter into any settlement (except with

the written consent of the Indemnitee) which does not include as an unconditional term thereof the giving by the claimant to the Indemnitee against whom such claim is made of a release from all liability in respect of such claim except the liability satisfied by the Indemnifying Party on behalf of such Indemnitee in connection with such judgment or settlement. If the claim is one that cannot by its nature be defended solely by the Indemnifying Party, then the Indemnitee shall make available, at the Indemnifying Party's expense, all information and assistance that the Indemnifying Party may reasonably request.

5.06 Interpretation of Indemnification Rights. Notwithstanding the fact that certain representations contained in Articles 3 and 4 of the Stock Exchange Agreement may relate more directly to the basis or subject matter of an indemnification claim asserted by a party to this Agreement, the parties acknowledge and agree that even if any Damages asserted in such claim are not subject to indemnification pursuant to paragraph (a) of Section 5.03 or 5.04, as the case may be, such indemnification claim is subject to indemnification hereunder if such claim comes within the scope of paragraphs (b) and (c) of Section 5.03 or paragraphs (b) and (c) of Section 5.04, as the case may be.

Article VI

MISCELLANEOUS PROVISIONS

6.01 Amendment and Modifications. Subject to applicable law, this Agreement may be amended, modified and supplemented only by written agreement between the parties hereto which states that it is intended to be a modification of this Agreement.

6.02 Waiver of Compliance. Any failure of the Buyer, on the one hand, or Sellers, on the other, to comply with any obligation, covenant, agreement or condition herein may be expressly waived in writing by the other party, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

6.03 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or mailed, certified or registered mail with postage prepaid:

(a) if to the Buyer, to:

Perfect Future, Ltd.
7551 W. Charleston, Suite 35
Las Vegas, Nevada 89117

or to such other person or address as the Buyer shall furnish in writing;

(b) if to Sellers, to:

ESL Pro Systems Inc.
1135 Terminal Way, Suite 209
Reno, Nevada 89502

or to such other person or address as the Sellers shall furnish in writing.

6.04 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other party.

6.05 Governing Law. This Agreement and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of Nevada.

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

6.07 Headings. The headings of the Sections and Articles of this Agreement are inserted for convenience only and shall not constitute a part hereof or affect in any way the meaning or interpretation of this Agreement.

6.08 Entire Agreement. This Agreement, including the Schedules hereto and the other documents and certificates delivered pursuant to the terms hereof, set forth the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and supersede all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto.

6.09 Third Parties. Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any person or corporation other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

6.10 Further Assurances. Each of the parties hereto agrees that from time to time, at the request of any of the other parties hereto and without further consideration, it will execute and deliver such other documents and take such other action as such other party may reasonably request in order to consummate more effectively the transactions contemplated hereby. 6.11 Effect. In the event any portion of this Agreement is deemed to be null and void under any state or federal law, all other portions and provisions not deemed void or voidable shall

be given full force and effect.

6.12 Press Release and Shareholders Communications. On the date of Closing, or as soon thereafter as practicable Buyer and Sellers shall cause to have promptly prepared and disseminated a news release concerning the execution and consummation of the Agreement, such press release and communication to be released promptly and within the time required by the laws, rules and regulations as promulgated by the United States Securities and Exchange Commission, and concomitant therewith to cause to be prepared a full and complete letter to Buyer's shareholders which shall contain information required by Regulation 240.14f-1 as promulgated under Section 14(f) as mandated under the Securities and Exchange Act of 1934, as amended.

6.13 Tax Treatment. The transaction contemplated by this Agreement is intended to qualify as a "tax-free" reorganization under the provisions of Section 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended. The Buyer and the Sellers acknowledge, however, that each are being represented by their own tax advisors in connection with this transaction, and neither has made any representations or warranties to the other with respect to treatment of such transaction or any part or effect thereof under applicable tax laws, regulations or interpretations; and no attorney's opinion or tax revenue ruling has been obtained with respect to the tax consequences of the transactions contemplated therewith.

6.14 Signatures via Fax. Signatures via fax are sufficient to bind the respective parties to this Agreement, provided that the original is delivered by courier to the Sellers' address as set out in Section 6.03(b).

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the Buyer and the Sellers, effective on the date first above written.

BUYER: PERFECT FUTURE LTD.

BY: -----
President and Director

BY: -----
Director

SELLERS: ESL PRO SYSTEMS INC.

BY: -----
President and Director

EXHIBIT A
TO STOCK EXCHANGE AGREEMENT

ESL PRO SHARES -----	# Issued in ESL PRO -----	# to be Issued in Perfect Future -----
Mark E. Bruk	806,950	806,950
Marc Crimeni	806,950	806,950
Boswell Industries Inc.	360,509	360,509
Maggie Magee Dodd	5,591	5,591
Al Hasley	5,000	5,000
Peter Apostoli	2,500	2,500
Wyn Roberts	10,000	10,000
Colin Laine	2,500	2,500
TOTAL	2,000,000	2,000,000

EXHIBIT B
TO STOCK EXCHANGE AGREEMENT

ESL PRO SYSTEMS INC.
BALANCE SHEET
as of May 27, 1998

ASSETS

CURRENT		
	Cash	\$2,000
	Total Assets	\$2,000

LIABILITIES

CURRENT		
	Liabilities	\$ 0

	Total Liabilities	\$ 0

SHAREHOLDER'S EQUITY

	Share Capital	\$2,000
	Retained Earnings	\$ 0

	Total Shareholder's Equity	\$2,000
	Total Liabilities & Shareholder's Equity	\$2,000

APPROVED BY THE DIRECTORS:

-----, Director

EXHIBIT C
TO STOCK EXCHANGE AGREEMENT

ESL PRO SYSTEMS INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
as of May 27, 1998

Revenue	\$	0

Gross Profit	\$	0

Expenses	\$	0

Total Expenses	\$	0
Income (Loss) before Income Taxes	\$	0
Income Taxes	\$	0

Net Income (Loss) for the Year	\$	0
Retained Earnings (Deficit), beginning of year	\$	0

Retained Earnings (Deficit), end of year	\$	0
	=====	

APPROVED BY THE DIRECTORS:

- -----, Director

STOCK EXCHANGE AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT, dated May 29, 1998, is made by and between PERFECT FUTURE, LTD., a Nevada corporation (the "Buyer"), on the one hand, and M&M INFORMATION & MARKETING SERVICES INC., a corporation incorporated under the laws of the State of Nevada and hereafter referred to as "M&M" or as the "Sellers" and MARK E. BRUK duly authorized and appointed agent of the shareholders of M&M, whose names appear on "Exhibit A" attached hereto and who constitute all of the shareholders of M&M, on the other hand.

RECITALS

A. WHEREAS M&M is currently

- (a) developing a 100% Pure Java distance education delivery environment and toolkit;
- (b) providing management expertise in the development, marketing, and sales of leading-edge technologies; and
- (c) desirous of raising money for operating capital;

B. AND WHEREAS the Sellers are desirous of joining together to go public by exchanging the shares of M&M for shares of an existing publicly traded entity on the NASD, OTC Bulletin Board, in a share for a share transaction intending to qualify as a tax-free exchange pursuant to ss.368(a)(1)(B) of the Internal Revenue Code of 1986, as amended;

C. AND WHEREAS the Buyer is a publicly traded company listed on the NASD, OTC Bulletin Board, with 4,250,000 (Four Million, Two Hundred and Fifty Thousand) shares outstanding and desires to acquire the Sellers, for 7,000,000 (Seven Million) of its common shares. NOW THEREFORE the parties hereby agree that in implementing said tax-free exchange and in consideration of the mutual covenants set forth below, the parties hereby agree as follows:

Article I

EXCHANGE OF THE SHARES

1.01 Shares Being Exchanged. Subject to the terms and conditions of this Agreement, the Sellers are selling, assigning, and delivering at the closing provided for in Section 1.03 hereof (the "Closing"), 7,000,000 (Seven Million) common shares of M&M, which shares represent all of the issued and outstanding common shares of M&M, free and clear of all liens, charges, or encumbrances of any kind.

1.02 Consideration. In exchange for the said common shares of M&M being acquired by the Buyer, at the Closing, the Buyer will deliver to the Sellers 7,000,000 (Seven Million)

Stock Exchange Agreement between Perfect Future, Ltd. and
M&M Information & Marketing Services Inc.
Page 1 of 17

"restricted" common shares of the Buyer as that term is defined in Rule 144 of the Securities Act of 1933, as amended.

1.03 Closing. The Closing of the transactions provided for in Section 1.04 and 1.05 is to take place at the offices of M&M at Reno, Nevada simultaneously with the execution and delivery of this Agreement, or at such other time or place as may mutually be agreed upon by the parties. The Closing may also be accomplished by wire, express mail, or other courier service, conference call, or as otherwise agreed by the respective parties or their duly authorized representatives.

1.04 Delivery by the Sellers. At the Closing, the Sellers will deliver to the attorneys for the Buyer: (i) certificates representing the said common shares of the Sellers, in form acceptable for transfer on the books of M&M, with all necessary transfer tax stamps attached; and (ii) all corporate records and items set forth, the said certificates to be released to the Buyer when the stock certificates referred to in Section 1.05 are delivered to the Sellers.

1.05 Delivery by the Buyer. At the Closing, or as soon as is practicable thereafter, the Buyer will deliver to the Sellers, (i) stock certificates for the said common shares of the Buyer, in the denominations set forth in "Exhibit A"; and (ii) all corporate records and items set forth.

1.06 Board Meeting of the Buyer. At the Closing, the directors of the Buyer will elect Mark E. Bruk, Robert H. Harris and Marshall Farris as directors of the Buyer and will then deliver resignations of all directors and officers of the Buyer to the Sellers. The newly elected directors of the Buyer will then appoint the new officers of the Buyer.

Article II

RELATED TRANSACTIONS

2.01 Expenses of the Transactions. The Buyer shall be responsible for paying all expenses of this transaction, including but not limited to any filing fees, legal fees not to exceed \$5,000 (Five Thousand Dollars), accounting fees, escrow

agent fees, printing expenses, certificate engraving fees and transfer fees.

2.02 Additional Offering of Shares. The Buyer intends, shortly after the Closing hereof, to attempt to raise additional operating capital through a private offering of securities, contemplated to be offered pursuant to an exemption under Regulation S of the Securities Act of 1933, as amended.

Stock Exchange Agreement between Perfect Future, Ltd. and
M&M Information & Marketing Services Inc.
Page 2 of 17

Article III

REPRESENTATIONS AND WARRANTIES BY THE BUYER

The Buyer hereby represents and warrants as follows:

3.01 Organization, Capitalization, etc.

- (a) The Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of Nevada.
- (b) The authorized capital stock of the Buyer consists of 50,000,000 (Fifty Million) common shares with a par value of \$.001 per share, of which only 4,250,000 (Four Million, Two Hundred and Fifty Thousand) are issued and outstanding, fully paid and nonassessable, and 5,000,000 (Five Million) preferred shares with a par value of \$.001 per share, of which none are issued or outstanding.
- (c) The Buyer has the corporate power and authority to carry on its business as presently conducted and has full corporate power and authority to enter into this Agreement and to carry out its obligations hereunder and the Buyer has been so authorized by the required majority of its shareholders as evidenced by a certified resolution of the shareholders of the Buyer and delivered to the Sellers at Closing.

3.02 Non Violation. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will constitute a violation or default under any term or provision of the Certificate of Incorporation or Bylaws of the Buyer, or of any contract, commitment, indenture, other agreement or restriction of any kind or character to which the Buyer is a party or by which the Buyer is bound.

3.03 Financial Statement. The Buyer has delivered to the Seller the balance sheet of the Buyer as of June 30, 1997, prepared by Barry L. Friedman, P.C., C.P.A. The balance sheet is true and correct and a fair and accurate presentation of the financial condition, assets and liabilities (whether accrued, absolute, contingent, or otherwise) of the Buyer as of the date thereof in accordance with generally accepted principals of accounting applied on a consistent basis.

3.04 Tax Returns. The Buyer has duly filed all tax reports and returns required to be filed by it and has fully paid all taxes and other charges claimed to be due from it by federal, state, or local taxing authorities (including without limitation those due in respect of its properties, income, franchises, licenses, sales, and payrolls); there are not liens upon any of the Buyer's property or assets; and there are not now any pending questions relating to, or claims asserted for, taxes or assessments asserted against the Buyer.

3.05 Title to Properties: Encumbrances. The Buyer has good and marketable title to all of its properties and assets, real and personal, tangible and intangible, including without limitation the properties and assets reflected in the June 30, 1997 balance sheet of the

Buyer. All such properties and assets reflected in that balance sheet have fair market or realizable value at least equal to the value thereof as reflected upon the balance sheet, and they are subject to no mortgage, pledge, lien, conditional sale agreement, encumbrance, or charge of any nature.

3.06 Accounts Receivable. Any accounts receivable of the Buyer, whether reflected in the Buyer's June 30, 1997 balance sheet or otherwise, represent sales actually made in the ordinary course of business and any reserve for uncollectability of receivables as reflected in the aforesaid balance sheet is adequate and was calculated in a way consistent with past practice. Except to extent set forth herein, there are not now any questions, controversies, or disputes relating to any accounts receivable of the Buyer.

3.07 Undisclosed Liabilities. Except to the extent reflected, or reserved against, in the June 30, 1997 balance sheet of the Buyer, the Buyer as of that date had no liabilities or obligations of any nature, whether absolute, accrued, contingent, or otherwise, whether due or to become due.

3.08 Absence of Certain Changes. The Buyer has not since June 30 1997, and shall not, have

- (a) Suffered any material adverse change in financial condition, assets, liabilities, or business;
- (b) Incurred any obligation or liability (whether absolute, accrued, contingent, or otherwise) other than as disclosed to the Sellers;
- (c) Paid any claim or discharged or satisfied any lien or encumbrance or paid or satisfied any liability (whether absolute, accrued, contingent, or otherwise) other than liabilities shown or reflected in the Buyer's June 30, 1997 balance sheet or liabilities incurred since June 30, 1997 other than those disclosed to the Sellers;
- (d) Permitted or allowed any of its assets, tangible or intangible, to be mortgaged, pledged, or subjected to any liens or encumbrances;
- (e) Written down the value of any inventory or written-off as uncollectible any notes or accounts receivable or any portion thereof, except for write-offs of such items as disclosed to the Sellers;
- (f) Cancelled any other debts or claims or waived any rights of substantial value, or sold or transferred any of its assets or properties, tangible or intangible, other than sales of inventory or merchandise as disclosed to the Sellers;
- (g) Made any capital expenditures or commitments for additions to property, plant or equipment;

(h) Declared, paid or set aside for payment to its stockholders any dividend or other distribution in respect of its capital stock or redeemed or purchased or otherwise acquired any of its capital stock or any options relating thereto or agreed to take any such action;

(i) Made any material change in any method of accounting or accounting practice.

3.09 Litigation. There are no actions, claims, proceedings, or investigations pending or, to the knowledge of the Buyer, threatened against the Buyer, and the Buyer knows, or has no reason to know, of any basis for any such action, proceeding, or investigation. There is no event or condition of any kind or character pertaining to the business, assets, or prospects of the buyer that may materially and adversely affect such business, assets or prospects.

3.10 Disclosure. The Buyer has disclosed to the Sellers all facts material to the assets, prospects, and business of the Buyer. No representation or warranty by the Buyer contained in this Agreement, and no statement contained in any instrument, list, certificate, or writing furnished to the Sellers pursuant to the provisions hereof or in connection with the transaction contemplated hereby, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading or necessary in order to provide a prospective purchaser of the business of the Buyer with proper information as to the buyer and its affairs.

3.11 SEC Filings. The Buyer has filed on a timely basis all reports required to be filed with the United States Securities and Exchange Commission (hereinafter the "SEC").

3.12 Legend. The Certificates representing the shares in the Buyer, delivered by Buyer to Seller pursuant to this Agreement shall bear a legend in the following or similar form:

"The shares represented by this certificate have not been registered under the Securities Act of 1933 (the "Act"), as amended, or any other applicable federal or state securities acts; and are 'restricted securities' as defined by Rule 144 of the Act. The shares may not be transferred, sold or otherwise disposed of unless: (1) a registration statement with respect to the shares shall be effective under the act or any other federal or state securities acts and (2) Buyer shall have received an opinion of counsel for that no violations of any securities acts will be involved in any transfer."

3.13 Holding Period. If the shares represented by these Certificates have been held for a period of at least one (1) year and if Rule 144 of the Act is applicable (there being no representations by the Buyer that Rule 144 is applicable), then the Sellers may make sales of the Shares only under the terms and conditions prescribed by Rule 144 of the Act.

3.14 Investment Intent. The Buyer is acquiring the said shares of the Sellers to be transferred to it under this Agreement for investment and not with a view to the sale or distribution thereof, and the Buyer has no commitment or present intention to liquidate

M&M or to sell or otherwise dispose of the Shares.

3.15 Unregistered Shares and Access to Information. The Buyer understands the offer and sale of the said shares of the Sellers have not been registered with or reviewed by the Securities and Exchange Commission under the Securities Act of 1933, as amended, or with or by any state securities law administrator, and no federal or state securities law administrator has reviewed or approved any disclosure or other material concerning M&M or the shares in the Buyer. The Buyer has been provided with and reviewed all information concerning M&M and the said shares of the Sellers, as it has considered necessary or appropriate as a prudent and knowledgeable investor to enable it to make an informed investment decision concerning the said shares of the Sellers.

Article IV

REPRESENTATIONS AND WARRANTIES BY THE SELLERS

The Sellers hereby represent and warrant as follows:

4.01 Organization, etc.

(a) M&M is a corporation duly organized, validly existing, and in good standing under the laws of the State of Nevada.

(b) The authorized capital stock of M&M consists of 10,000,000 (Ten Million) common shares with a par value of \$.001 per share, 7,000,000 (Seven Million) of which are validly issued and outstanding, fully paid and nonassessable.

(c) The Sellers have the corporate power and authority to carry on their business as presently conducted and have full corporate power and authority to enter into this Agreement and to carry out their obligations hereunder.

4.02 Authority. The execution and delivery of this Agreement by the Buyer and the consummation by M&M and Sellers of the transactions contemplated hereby have been duly authorized.

4.03 No Violation. Neither the execution nor the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will constitute a violation or default under any term or provision of the Certificate of Incorporation or Bylaws of M&M or of any contract, commitment, indenture, or other agreement or restriction of any kind or character to which M&M is a party or by which they or the Sellers are bound.

4.04 Representations Regarding the Acquisition of the Shares.

(a) The undersigned understand that the SAID SHARES OF THE BUYER TO BE RECEIVED FROM THE BUYER HAVE NOT BEEN APPROVED OR

DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCIES;

(b) The Sellers are not underwriters and are acquiring the said shares of the Buyer solely for investment for their own account and not with a view to, or for, resale in connection with any distribution within the meaning of the federal securities act, the state securities acts or any other applicable state securities acts;

(c) The Sellers understand the speculative nature and risks of investments associated with the Buyer and confirm that the said shares of the Buyer are suitable and consistent with their investment program and that their financial position enables them to bear the risks of this investment; and that there may not be any public market for the said shares of the Buyer subscribed for herein;

(d) The said shares of the Buyer to be received by the Sellers may not be transferred, encumbered, sold, hypothecated, or otherwise disposed of to any person, without the express prior written consent of the Buyer and the prior opinion of counsel for the Buyer that such disposition will not violate federal and/or state securities acts. Disposition shall include, but is not limited to acts of selling, assigning, transferring, pledging, encumbering, hypothecating, or any form of conveying, whether voluntary or not;

(e) To the extent that any federal, and/or state securities laws shall require, the Sellers hereby agree that any shares of the Buyer acquired pursuant to this Agreement shall be without preference as to assets;

(f) The Buyer is under no obligation to register or seek an exemption under any federal and/or state securities acts for any shares of the Buyer or to cause or permit such shares to be transferred in the absence of any such registration or exemption and that the Sellers herein must hold such shares indefinitely unless such shares are subsequently registered under any federal and/or state securities acts or any exemption from registration is available;

(g) The Sellers have been given: (1) all material books and records of the Buyer; and (2) all material contracts and documents relating to the proposed transactions;

(h) The Sellers have satisfied the suitability standards imposed by their respective state securities laws. The said shares of the Buyer being acquired from the Buyer have not been registered under federal or state securities laws. The Sellers acknowledge that the Buyer has not complied with any state securities laws in seeking an exemption from the transactions contemplated by this Agreement. Accordingly, the Sellers waive any and all rights, claims or causes of action they may have against the Buyer under any state securities laws as a result of the Buyer's failure to comply with applicable state securities laws.

4.05 Undisclosed Liabilities. M&M has no liabilities or obligations of any nature, whether absolute, accrued, contingent, or otherwise.

4.06 Absence of Certain Changes. M&M shall not from the date of the balance sheet (attached hereto as "Exhibit B") and income statements (attached hereto as "Exhibit C") to be provided have:

(a) Suffered any material adverse change in financial condition, assets, liabilities, business, or prospects;

(b) Incurred any obligation or liability (whether absolute, accrued, contingent, or otherwise) other than in the ordinary course of business and consistent with past practices;

(c) Paid any claim or discharged or satisfied any lien or encumbrances or paid or satisfied any liability (whether absolute, accrued, contingent, or otherwise) other than liabilities to be shown or reflected in the audited balance sheets or liabilities incurred in the ordinary course of business and consistent with past practices;

(d) Permitted or allowed any of their assets, tangible or intangible, to be mortgaged, pledged, or subjected to any liens or encumbrances;

(e) Written down the value of any inventory or written-off as uncollectible any notes or accounts receivable or any portion thereof, except for write-offs of such items in the ordinary course of business;

(f) Cancelled any other debts or claims or waived any rights of substantial value, or sold or transferred any assets or properties, tangible or intangible, other than sales of inventory or merchandise made in the ordinary course of business and consistent with past practice;

(g) Made any capital expenditures or commitments in excess of \$2,000 (Two Thousand Dollars) for additions to property, plant or equipment;

(h) Declared, paid, or set aside for payment to stockholders any dividend or other distribution in respect of its capital stock or any options relating thereto or agreed to take any such options relating thereto or agreed to take any such action;

(i) Made any material change in any method of accounting or accounting practice.

4.07 Litigation. There are no actions, proceedings, or investigations pending or, to the knowledge of the Sellers, threatened against M&M, and Sellers know, or have no reason to know, of any basis for any such actions, proceeding, or investigation. There is no event or condition of any kind or character pertaining to the businesses, assets, or prospects of M&M that may materially and adversely affect such business, assets or prospects.

4.08 Disclosure. M&M have disclosed to the Buyer all facts material to the assets, prospects, and business of M&M, particularly with respect to M&M's abilities to develop, market, and sell leading-edge software and hardware, M&M's primary asset. No representation or warranty by M&M contained in this agreement, and no statement contained in any instrument, list, certificate, or writing furnished to Buyer pursuant to the provisions hereof or in connection with the transaction contemplated hereby, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading or necessary in order to provide a prospective purchaser of the shares of M&M with proper information as to M&M and their affairs.

Article V

SURVIVAL OF REPRESENTATIONS; INDEMNIFICATION

5.01 Survival of Representations. All representations, warranties and agreements of the parties as contained in this Agreement, or expressly incorporated herein by reference, shall survive the Closing hereunder and any investigation made by or on behalf of any party hereto.

5.02 Statements as Representations. All statements contained herein, or in any certificate or other document delivered pursuant to this Agreement shall be deemed representations and warranties within the meaning of Section 5.01 hereof.

5.03 Indemnification by the Sellers. Subject to the terms and conditions of this Article 5, the Sellers (sometimes referred to herein as the "Indemnifying Party") hereby agree to indemnify, defend and hold harmless Buyer, any subsidiary, director, officer, employee, agent or representative of Buyer (collectively the "Indemnitees" and each individually, a "Indemnitee") from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties, attorneys' fees and expenses (collectively, "Damages"), asserted against, imposed upon or incurred by the Indemnitees or any Indemnitee, resulting from, relating to or arising out of:

(a) any breach of any representation, warranty or agreement of the Sellers contained in or made pursuant to this Agreement or any facts or circumstances constituting such a breach; or

(b) any act or omission of the Sellers or any of their respective affiliates, trustees, officers, employees, agents or representatives relating to the property, business, operations and activities of M&M which occurred, existed or failed to occur or exist prior to the Closing; or

(c) any event, state of facts, circumstance or condition occurring or existing (or not occurring or not in existence if the absence of such fact, circumstance or condition

forms the basis for Damages) relating to the property, business, operations or activities of the Sellers before the Closing.

5.04 Indemnification by Buyer. Subject to the terms and conditions of this Article 5, Buyer (sometimes referred to herein as the "Indemnifying Party") hereby agrees to indemnify, defend and hold harmless the Sellers, and any director, officer, employee, agent or representative of the same (collectively the "Indemnitees" and each individually, a "Indemnitee") from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties, attorneys' fees and expenses (collectively, "Damages"), asserted against, resulting from, imposed upon or incurred by the Indemnitees or any Indemnitee, resulting from, relating to or arising out of:

(a) a breach of any representation, warranty or agreement of Buyer contained in or made pursuant to this Agreement or any facts or circumstances constituting such a breach;

(b) any act or omission of Buyer or any of their respective affiliates, directors, officers, employees, agents or representatives relating to the property, business, operations and activities of the Buyer which occurred, existed or failed to occur or exist subsequent to the Closing; or

(c) any event, state of facts, circumstance or condition occurring or existing (or not occurring or existing if the absence of such event, fact, circumstance or condition forms the basis for Damages) relating to the property, business, operations or activities of the Buyer subsequent to the Closing.

5.05 Notice of Indemnification Claims. If a claim is made against any Indemnitee (as defined in Section 5.03 or 5.04 hereof) and if such Indemnitee believes that such claim, if successful, would give rise to a right of indemnification hereunder against the Indemnifying Party (as defined in Section 5.03 or 5.04 hereof) or if any officer of an Indemnitee (an "executive officer") becomes aware of facts or circumstances establishing that an Indemnitee has experienced or incurred Damages subject to indemnification hereunder, then such Indemnitee shall give written notice to the Indemnifying Party of such claim as soon as reasonably practicable after the Indemnitee has received notice thereof, and in no event more than 60 days after the Indemnitee has obtained actual knowledge thereof (provided that failure to give such notice shall not limit the Indemnifying Party's indemnification obligation hereunder except to the extent that the delay in giving, or failure to give, the notice adversely affects the Indemnifying Party's ability to defend against the claim). The Indemnitee against whom such claim is made shall give the Indemnifying Party an opportunity to defend such claim, at the Indemnifying Party's own expense and with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnitee, provided that such Indemnitee shall at all times also have the right to fully participate in the defense at its own expense. Failure of an Indemnifying Party to give the Indemnitee written notice of its election to defend such claim within 20 days after notice thereof shall have been given by the Indemnitee against whom such claim is made to the Indemnifying Party

shall be deemed a waiver by such Indemnifying Party of its right to defend such claim. If the Indemnifying Party shall elect not to assume the defense of such claim (or if such Indemnifying Party shall be deemed to have waived its right to defend such claim), the Indemnitee against whom such claim is made shall have the right, but not the obligation, to undertake the sole defense of, and to compromise or settle, the claim on behalf, for the account, and at the risk and expense, of the Indemnifying Party (including without limitation the payment by Indemnifying Party of the attorneys' fees of the Indemnitees). If one or more of the Indemnifying Parties assume the defense of such claim, the obligation of such Indemnifying Party hereunder as to such claim shall include taking all steps necessary in the defense or settlement of such claim. The Indemnifying Party shall not, in the defense of such claim, consent to the entry of any judgment or enter into any settlement (except with the written consent of the Indemnitee) which does not include as an unconditional term thereof the giving by the claimant to the Indemnitee against whom such claim is made of a release from all liability in respect of such claim except the liability satisfied by the Indemnifying Party on behalf of such Indemnitee in connection with such judgment or settlement. If the claim is one that cannot by its nature be defended solely by the Indemnifying Party, then the Indemnitee shall make available, at the Indemnifying Party's expense, all information and assistance that the Indemnifying Party may reasonably request.

5.06 Interpretation of Indemnification Rights. Notwithstanding the fact that certain representations contained in Articles 3 and 4 of the Stock Exchange Agreement may relate more directly to the basis or subject matter of an indemnification claim asserted by a party to this Agreement, the parties acknowledge and agree that even if any Damages asserted in such claim are not subject to indemnification pursuant to paragraph (a) of Section 5.03 or 5.04, as the case may be, such indemnification claim is subject to indemnification hereunder if such claim comes within the scope of paragraphs (b) and (c) of Section 5.03 or paragraphs (b) and (c) of Section 5.04, as the case may be.

Article VI

MISCELLANEOUS PROVISIONS

6.01 Amendment and Modifications. Subject to applicable law, this Agreement may be amended, modified and supplemented only by written agreement between the parties hereto which states that it is intended to be a modification of this Agreement.

6.02 Waiver of Compliance. Any failure of the Buyer, on the one hand, or Sellers, on the other, to comply with any obligation, covenant, agreement or condition herein may be expressly waived in writing by the other party, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

6.03 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if

delivered by hand or mailed, certified or registered mail with postage prepaid:

(a) if to the Buyer, to:

Perfect Future, Ltd.
7551 W. Charleston, Suite 35
Las Vegas, Nevada 89117

or to such other person or address as the Buyer shall furnish in writing;

(b) if to Sellers, to:

M&M Information & Marketing Services Inc.
1135 Terminal Way, Suite 209
Reno, Nevada 89502

or to such other person or address as the Sellers shall furnish in writing.

6.04 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other party.

6.05 Governing Law. This Agreement and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of Nevada.

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

6.07 Headings. The headings of the Sections and Articles of this Agreement are inserted for convenience only and shall not constitute a part hereof or affect in any way the meaning or interpretation of this Agreement.

6.08 Entire Agreement. This Agreement, including the Schedules hereto and the other documents and certificates delivered pursuant to the terms hereof, set forth the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and supersede all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto.

6.09 Third Parties. Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any person or corporation other than the parties hereto and their successors or assigns, any rights or

remedies under or by reason of this Agreement.

6.10 Further Assurances. Each of the parties hereto agrees that from time to time, at the request of any of the other parties hereto and without further consideration, it will execute and deliver such other documents and take such other action as such other party may reasonably request in order to consummate more effectively the transactions contemplated hereby.

6.11 Effect. In the event any portion of this Agreement is deemed to be null and void under any state or federal law, all other portions and provisions not deemed void or voidable shall be given full force and effect.

6.12 Press Release and Shareholders Communications. On the date of Closing, or as soon thereafter as practicable Buyer and Sellers shall cause to have promptly prepared and disseminated a news release concerning the execution and consummation of the Agreement, such press release and communication to be released promptly and within the time required by the laws, rules and regulations as promulgated by the United States Securities and Exchange Commission, and concomitant therewith to cause to be prepared a full and complete letter to Buyer's shareholders which shall contain information required by Regulation 240.14f-1 as promulgated under Section 14(f) as mandated under the Securities and Exchange Act of 1934, as amended.

6.13 Tax Treatment. The transaction contemplated by this Agreement is intended to qualify as a "tax-free" reorganization under the provisions of Section 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended. The Buyer and the Sellers acknowledge, however, that each are being represented by their own tax advisors in connection with this transaction, and neither has made any representations or warranties to the other with respect to treatment of such transaction or any part or effect thereof under applicable tax laws, regulations or interpretations; and no attorney's opinion or tax revenue ruling has been obtained with respect to the tax consequences of the transactions contemplated therewith.

6.14 Signatures via Fax. Signatures via fax are sufficient to bind the respective parties to this Agreement, provided that the original is delivered by courier to the Sellers' address as set out in Section 6.03(b).

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the Buyer and the Sellers, effective on the date first above written.

BUYER: PERFECT FUTURE LTD.

BY: -----
President and Director

BY: -----
Director

SELLERS: M&M INFORMATION & MARKETING SERVICES INC.

BY: -----
President and Director

EXHIBIT A
TO STOCK EXCHANGE AGREEMENT

M&M SHARES -----	# Issued in M&M -----	# to be Issued in Perfect Future -----
Mark E. Bruk	2,939,150	2,939,150
Marc Crimeni	2,879,150	2,879,150
John & Helen Bruk	60,000	60,000
Ian Bruk	60,000	60,000
Bruce Bruk	60,000	60,000
Steven & Karen Bruk	30,000	30,000
Emily Bruk	30,000	30,000
Adele Paulson	90,000	90,000
Nick Sereda	90,000	90,000
Ron Crimeni	30,000	30,000
Adrian Crimeni	30,000	30,000
Iris Hickey	30,000	30,000
Darrel Crimeni	30,000	30,000
Zina Weston	30,000	30,000
David & Florence Mazzucco	30,000	30,000
Martin Mazzucco	30,000	30,000
Marlene Derrah	30,000	30,000
Deborah I. Joel	30,000	30,000
Marshall Farris	90,000	90,000
Jeffrey Mah	52,500	52,500
Bonnie Jean Mah	30,000	30,000
Jeff Giddens	52,500	52,500
Jeff Day	52,500	52,500
Lorne Johnson	52,500	52,500
Carlos Ceberio	2,500	2,500
Juraj Krajci	5,000	5,000
Dickson Wong	30,000	30,000
Ron Balshine	64,200	64,200
Robert Harris	15,000	15,000
Peter O'Donnell	15,000	15,000
Christopher Brough	30,000	30,000
TOTAL	7,000,000	7,000,000

EXHIBIT B
TO STOCK EXCHANGE AGREEMENT

M&M INFORMATION & MARKETING SERVICES INC.
BALANCE SHEET
as of May 27, 1998

ASSETS

CURRENT		
	Cash	\$17,560
Total Assets		\$17,560

LIABILITIES

CURRENT		
	Liabilities	\$ 0
Total Liabilities		\$ 0

SHAREHOLDER'S EQUITY

	Share Capital	\$17,560
	Retained Earnings	\$ 0
Total Shareholder's Equity		\$17,560
Total Liabilities & Shareholder's Equity		\$17,560

APPROVED BY THE DIRECTORS:

-----, Director

EXHIBIT C
TO STOCK EXCHANGE AGREEMENT

M&M INFORMATION & MARKETING SERVICES INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
as of May 27, 1998

Revenue	\$ 0

Gross Profit	\$ 0

Expenses	\$ 0

Total Expenses	\$ 0

Income (Loss) before Income Taxes	\$ 0

Income Taxes	\$ 0

Net Income (Loss) for the Year	\$ 0

Retained Earnings (Deficit), beginning of year	\$ 0

Retained Earnings (Deficit), end of year	\$ 0
	=====

APPROVED BY THE DIRECTORS:

- -----, Director

	12-mos Dec-31-1998	6-mos Jun-30-1999	6-mos Dec-31-1998
	37,757	331,733	
	0	0	
	18,477	120,702	
	0	0	
	44,421	15,464	
	106,306	467,899	
	5,651	0	
	4,205	7,336	
	297,880	646,531	
	368,442	146,721	
	0	0	0
	0	0	0
	11,607	12,751	
	(82,169)	389,259	
297,880	646,531		
	14,824	95,497	
	14,824	233,686	
	6,873	35,923	
	424,667	519,184	
	0	0	
	0	0	
	0	0	
	(415,043)	(322,021)	
	0	0	
	(415,043)	(322,021)	
	0	0	
	0	0	
	0	0	
	0	0	
	(415,043)	(322,021)	
	(0.04)	(0.06)	
	(0.04)	(0.06)	