

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## PEDEVCO CORP

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

FORM SB-1  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

AMENDMENT #2

**Reconstruction Data Group, Inc.**

(Name of small business issuer in its charter)

California

(State or jurisdiction of  
incorporation or organization)

7380

(Primary Standard Industrial  
Classification Code Number)

22-3755993

(I.R.S. Employer  
Identification Number)

11650 Iberia Place, Suite 201

San Diego, California 92128

(858) 618-1085

(Address and telephone of principal executive offices)

11650 Iberia Place, Suite 201

San Diego, California 92128

(Address of principal place of business)

Scott B. Baker

11650 Iberia Place, Suite 201

San Diego, California 92128

(858) 618-1085

(Name, address, and telephone number of agent for service)

**Calculation of Registration Fee**

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Common Shares	400,000	\$ 1.00	\$ 400,000.00	\$ 106.00

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box

and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  
[ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  
[ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434 check the following box. [ ]

Disclosure alternative used (check one): **Alternative 1: X** ; Alternative 2: \_\_\_\_

Approximate date of proposed sale to the public: **As soon as practical following the effective date of registration.**

- I -

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## Reconstruction Data Group, Inc.

### Common Stock: 400,000 Shares

Reconstruction Data Group, Inc. is offering 400,000 shares of common stock at a price of \$ 1.00 per share. This is a direct public offering conducted by Reconstruction Data Group, Inc.

The securities offered are not listed on any national securities exchange, the NASDAQ Stock Market, or the OTC Bulletin Board Exchange.

This offering will expire 12 months from the date of this prospectus. There is no minimum number of securities that must be sold in the in the offering. Reconstruction Data Group, Inc. may extend this offering for an additional 90 days, solely at the discretion of Reconstruction Data Group, Inc.

The date of this offering prospectus is: December 14, 2001

### ***This offering is being registered for sale in the State of Nevada***

Common Stock: 400,000 Shares

Offering Price: \$ 1.00 Per Share

	Price to Subscribers	Sales Commissions	Proceeds to Company
Per unit	\$ 1.00	\$ 0.00	\$ 1.00
Total Maximum	\$ 400,000.00	\$ 0.00	\$ 400,000.00

The Proceeds to Company are before deducting estimated expenses for legal, accounting, promotion, printing, and other expenses incurred in this Offering. See *Use of Proceeds*, page 24, for details of expenditures.

In making an investment decision investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission or regulatory agency. Nor have these authorities passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense.

Investment in small businesses involves a high degree of risk, and investors should not invest any funds in this offering unless they can afford to lose their entire investment. **See question #2, Risk Factors, beginning on page 4.**

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The Prospectus, together with Financial Statements, consists of a total of 63 pages.

### III

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## THE COMPANY

### 1.

Exact corporate name:	<b>Reconstruction Data Group, Inc.</b>
State and date of incorporation:	California, September 27, 2000
Street address of principal office:	11650 Iberia Place, Suite 201 San Diego, California 92128
Company telephone number:	(858) 618-1085
Fiscal year:	December 31
Person(s) to contact at Company with respect to offering:	Scott B. Baker President, Reconstruction Data Group, Inc. (858) 618-1085

## RISK FACTORS

### 2.

Listed in the order of importance, the factors which the Company considers to be the most substantial risks to an investor in this offering in view of all facts and circumstances or which otherwise make the offering one of high risk or speculative (i.e., those factors which constitute the greatest threat that the investment will be lost in whole or in part, or not provide an adequate return.

### 1.

*Reconstruction Data Group, Inc. is in the development stage, and is an investment risk because of limited operations and operating losses incurred to date.*

Reconstruction Data Group, Inc. is in the development stage and has had limited operations with net losses and negative cash flows to date. Although, the Arc network has had operations through the part time activities of its founder since 1999, Reconstruction Data Group, Inc. has not been able to establish significant revenues to date and there is no historical basis to expect that sufficient revenues will be generated by the planned efforts. Reconstruction Data Group's current deficit is a result of operating losses incurred since inception, and may imply doubt as to Reconstruction Data Group, Inc.'s ability to continue as a going concern.

2.

*Reconstruction Data Group, Inc. is an investment risk because the business model and marketing strategies planned are not proven. If this model and strategies are unsuccessful Reconstruction Data Group, Inc. may not attract enough users and members to become profitable.*

Reconstruction Data Group, Inc. has no established basis, or proven market for services offered, to assure investors that business or marketing strategies will be successful. A lack of achieving significant revenues to date implies uncertainty as to the amount and adequacy of future; as well as Reconstruction Data Group, Inc.'s ability to attract sufficient users and members to operate the ARC Network profitably.

3.

*Investors could lose all or a substantial portion of their investment if the offering price arbitrarily determined by Reconstruction Data Group, Inc. has been set too high, at a value greater than a market value that the shares can attain.*

The offering price of the common shares bears no relation to book value, assets, earnings, or any other objective criteria of value. Reconstruction Data Group, Inc. has arbitrarily determined the price. Investors could lose all or a part of their investment if the offering price has been arbitrarily set too high. There can be no assurance that, even if a public trading market develops for Reconstruction Data Group's stock, the shares will attain market values commensurate with the offering price.

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4.

*Reconstruction Data Group, Inc. may not realize sufficient or timely sales from this offering to fully implement its business plan, as Reconstruction Data Group is offering shares on direct participation basis, rather than using the experience of a dealer-broker.*

Reconstruction Data Group, Inc. is offering shares on a direct participation basis; and no individual, firm, or corporation has agreed to purchase or take down any of the offered shares. No assurance can be given that any or all of the shares will be sold. Reconstruction Data Group, Inc. does not plan to use a dealer-broker, even though a dealer-broker may have more experience, resources or contacts to more effectively achieve the sale of shares. The company is dependent on the offering proceeds to implement its business plans, should the offering fail to raise sufficient proceeds, the company's growth could be severely retarded. A delay in the sale of the shares in this offering will negatively impact Reconstruction Data Group's capability to complete staffing requirements and initiate marketing activities.

5.

*Reconstruction Data Group, Inc. may not be able to develop sufficient interest in its stock to create a stable market. – Investors will be exposed to probable price fluctuations or no market for these securities may develop and investors would be unable to sell their securities.*

Reconstruction Data Group, Inc.'s common stock may be designated as a "penny stock", defined as any equity security that has a market price of less than \$5.00 per share. Material risks associated with penny stocks include price fluctuations and the lack of a liquid market for such securities. Investors may find it difficult to find a suitable buyer for their stock and may experience extreme price fluctuations resulting from a small volume of sales.

6.

*Reconstruction Data Group, Inc. may register this offering in one or only a few states. Many states will require registration of these securities in order to sell to its citizens. This limited state registration will limit the number of potential purchasers*

*negatively affecting the company's ability to sell this offering.*

Reconstruction Data Group, Inc. will initially register its securities for sale in the State of Nevada, and intends to register in additional states if necessary to complete this offering. The securities will likely not be considered a "covered" security, so state registration is required in many states for initial sales from the issuer and resale's by investors. Reconstruction Data Group, Inc. may have to register this offering in other states to sell a sufficient amount of this offering to implement the current business plan. Each additional state registration will add costs and time delays to this offering.

Note: In addition to the above risks, businesses are often subject to risks not foreseen or fully appreciated by management. In reviewing this prospectus, potential investors should keep in mind other possible risks that could be important.

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## **BUSINESS AND PROPERTIES**

### **3.**

With respect to the business of the Company and its properties:

(a)

Describe in detail *what* business the Company does and proposes to do, including what products or goods are or will be produced or services that will be rendered.

Reconstruction Data Group, Inc. was incorporated in the State of California as Rocker & Spike Entertainment, Inc. Until December 31, 2000, operations consisted of organizational matters, the sale of no par value common stock, and the search for an operating company with which to perform a merger or acquisition. Effective January 1, 2001, Rocker & Spike Entertainment, Inc. purchased the assets and web domain of Accident Reconstruction Communications Network, a sole proprietorship, from the sole proprietor. Following the acquisition, the company changed its name from Rocker & Spike Entertainment, Inc. to Reconstruction Data Group, Inc.

The ARC Network (Accident Reconstruction Communications Network) is a professional organization dedicated to providing research, communication and marketing exposure to the accident reconstruction industry through its comprehensive web site and training seminars.

The ARC Network began as a sole proprietorship founded by Mr. Scott B. Baker. In September of 1998, the ARC Network web site was activated online. In March of 1999, memberships to the ARC Network began being accepted. From March 1999 through August 2001, Mr. Baker worked part-time building and promoting the ARC Network, attending conferences and distributing direct mail to promote membership; and, evaluating business models and building the foundation for the ARC Network as a primary business. In August of 2001, Mr. Baker began working on the ARC Network full-time; attending conferences, working on automating and improving services and facilities, and developing the structure for online learning.

### **Services**

The ARC Network provides a web site business model that introduces a new professional organization concept to accident reconstruction. The ARC Network web site on the Internet is dedicated to providing useful information regarding all aspects of the industry. New information and research resources are posted to the network on a timely basis providing new and fresh content to all users, free of charge.

Access to the services offered by The ARC Network is currently available only over the Internet.

The services currently offered by The ARC Network include the following:

### **Membership/Expert Directory:**

Individual accident reconstruction experts join The ARC Network to take full advantage of the benefits offered. Each member is listed in The ARC Network's global expert directory. Attorneys, insurance companies and government entities use the directory to find experts that best fit their case. The ARC Network offers unique membership plans to capture the type of exposure each member is looking for. These plans range from a simple text listing to a customized web site and marketing package. All members of The ARC Network have to be qualified in their field to be included in the expert directory. The ARC Network will not compromise the quality or integrity of its content or its members. Memberships will continue to grow because there are always new experts entering this industry.

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Members of the ARC Network receive the following benefits:

- Listing in the Expert Directory
- Discounts on seminars and crash tests
- Discount on advertising within the ARC Network
- Discounts on web design services
- Free technical support

The ARC Network is currently experiencing a 90% renewal rate of its members. Out of a total of 244 members only 25 have not renewed over the last three years (as of December 5<sup>th</sup> 2001).

### **Participating Organizations:**

Non-profit accident reconstruction organizations currently dominate the exchange of information in the industry. The ARC Network will work with these organizations to help build their presence on the Internet through the ARC Network. This in turn allows the ARC Network to gain credibility and exposure while building a user database and increasing use of our services.

By joining The ARC Network, organizations can focus on their core competency of building membership, planning and facilitating meetings and events, thus leaving The ARC Network to support their organization and reduce overhead costs. This is achieved by placing their organization in The ARC Network as a "stand-alone" site. Once integrated with The ARC Network, we will facilitate distribution of organization newsletters, event notices, and current communications. In return, the participating organization will promote The ARC Network to their membership base.

Approximately 22 non-profit accident reconstruction organizations have been identified by management that directly relate to the industry. There are numerous other organizations in related fields that The ARC Network will approach in the future regarding partnership opportunities. Organizations include the fields of engineering, medicine, forensics and law.

### **Newsletter:**

Each month The ARC Network electronically distributes a newsletter to its database of users. The purpose of the newsletter is to provide information about the Industry and in return generate web traffic, increase membership and increase advertising revenue.

The newsletter is currently sent to over 3,500 individuals, organizations and companies each month. The database is permission-based. Individuals and companies that have requested to receive the newsletter populate the database. It is first sent electronically via email, and then posted to the web site for future reference. This provides The ARC Network with a database of targeted users and also a monthly opportunity to turn users into members. The newsletter contains space for advertising and sponsorship.

### **Specialty Listing:**

Companies interested in promoting their product or service to the industry of accident reconstruction can join The ARC Network on a yearly basis. A specialty listing consists of the company's logo, link to their web site and a brief description of the company's product(s) or service(s) offering. The option also exists to enhance the listing with a Web page further describing their product or service. Management believes there are thousands of potential companies that can benefit by listing their product or service in our directory.

### **Advertising:**

Reconstruction Data Group, Inc. directly sells banner advertisements on our Internet site. Banner ads appear on every page of The ARC Network except for member pages and participating organization pages.

In addition to banner advertising, The ARC Network offers a variety of other options to market to this industry, each at different cost levels. A few of our advertising methods include directory listings and email promotion. The management of Reconstruction Data Group, Inc. believes we will be able to place advertising and sell advertising on our site because of the amount of traffic we will generate as an established premier web site for this industry.

Individuals or companies who are not interested in a simple text listing in The ARC Network and want to have their own web site or want to redesign their existing web site, may contract with The ARC Network for professional web development. We provide a cost-effective solution to building and promoting a professional web presence.

### **Crash Tests and Seminars:**

A number of organizations in the industry hold seminars and crash tests that serve as continuing education for accident reconstruction experts. The ARC Network attends various seminars and crash tests as a vendor to promote the web site and membership. The ARC Network will also collect the data presented and post it to the ARC Network web site.

The ARC Network will host its own crash test approximately two (2) times per year. A certified training class will accompany each crash test. The classes will be repeated on a monthly basis in different cities for approximately four (4) months. At that time a new crash test will be conducted accompanied by a new accredited training class.

As The ARC Network grows we will work with other industry leaders to provide high quality seminars and crash tests that will be useful learning experiences for those who attend. It will also provide The ARC Network with the opportunity to build a crash test database that can be packaged and sold in both document and video form.

### **Bookstore:**

The ARC Network works with Amazon.com by participating in their affiliate program to provide the industry with a one-stop section for every book that is associated with the industry. A visitor can directly place orders on-line and the book will be shipped within a few days (depending on availability) directly to the specified shipping address. In addition to accident reconstruction books, customers can also order anything available at Amazon.com including a wide variety of other ersity is of mutual benefit; where ARC Network recommends and directs prospective attendees to the class, and the school or university is requested to hand out ARC Network material and recommend us as a resource.

As The ARC Network grows, an online education portal will be built allowing users to take classes directly online. This service will allow professionals to enhance their education from the convenience of their home, resulting in substantial savings of both cost and time compared to physically attending the same classes.

### **Continuing ARC Network web site improvements:**

The ARC Network web site is functional and available for users and members, providing a valuable resource for accident reconstructionist information, research, and industry contacts. The ARC Network is also continually being updated and improved. New research sections are continually being added, with an objective of adding one new section each month. Short-term improvements (2 to 6 weeks for completion) include improving the content, organization, and search engine for the Expert Directory. Long-term improvements (3 to 6 months' completion) include the implementation of online learning, an automated events calendar, and a comprehensive articles database.

(b)

Describe how these products or services are to be produced or rendered and how and when the Company intends to carry out its activities. If the Company plans to offer a new product, state The present stage of development, including whether or not a working prototype is in existence. Indicate if completion of development of the product would require a material amount of the resources of the Company, and the estimated amount. If the Company is or is expected to be dependent on one or a limited number of suppliers for essential raw materials, energy or other items, describe. Describe any major existing supply contracts.

The services of the ARC Network are provided on a continual basis. Currently the web site and direct marketing drives sales. All services are implemented using Internet and computer technologies. All services relate directly to advertising for the accident reconstructionist or party advertising to the accident reconstructionist. All services, other then crash tests, of the ARC Network are performed after receiving full payment.

Crash tests require the use of an accredited facility and personnel trained and authorized to perform the tests. A number of available facilities are owned or used by vehicle manufacturers, insurance institutes, colleges and universities. The ARC Network will negotiate and rely on arrangements made with these and other accredited crash test facilities. An up front expenditure of capital is required for the crash tests, for renting the facility where the crash tests will be performed and for marketing costs. All money should be recouped before the crash test is performed. Crash tests are pre-booked and prepaid, and can be cancelled prior to expenditure if a minimum paid attendance level is not reached.

Seminars will be performed as a complement to the crash tests, for the purpose of reviewing and analyzing data and results. Attendee's cost for these crash test related seminars may be included as a crash test package offering or may be

charged separately. The nature of the test to be performed, the benefit of review and analysis, and optional seminar attendance as a consideration to the consumer will be considerations as to determining actual pricing structure.

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Seminars may be conducted to complement crash tests, and will predominantly be scheduled as individual events for training and continuing education. The ARC Network will negotiate and select accredited speakers at various levels of cost. Speakers will be available at the cost of travel and lodging, where visibility, notoriety and publicity are the speaker's objectives. Where training and experience are required to insure credibility of the seminar, speaker or teacher selection will be more limited and costs increased. The ARC Network intends to conduct seminars requiring a varying level of speaker qualifications and, therefore will price seminars at varying levels.

No crash tests or training seminars have been conducted as of the date of this prospectus. These are intended services. Currently a suitable crash test facility is being sought and no firm dates for a crash test or seminar exist.

There are currently no suppliers that are material to the ARC Network business. ARC Network does have arrangements with Amazon.com for a percentage of book sales, and Pro Specialty for various merchandise (ARC Network lapel pins, logo shirts, and freebies for trade shows). None of these suppliers represent significant income for the ARC Network; these supplies are basically supplementary and require little to no maintenance.

(c)

Describe the industry in which the Company is selling or expects to sell its products or services And, where applicable, any recognized trends within that industry. Describe that part of the industry and the geographic area in which the business competes or will compete.

Indicate whether price is expected to be by price, service, or other basis. Indicate the current or anticipated prices or price ranges for the Company's products or services, or the formula for determining prices, and how these prices compare with those of competitor's products or services, including a description of any variation in product or service features. Name the principal competitors that the Company has or expects to have in its area of competition. Indicate the relative size and financial and market strengths of the Company's competitors in the area of competition in which the Company will be operating. State why the Company believes it can effectively compete with these and other companies in its area of competition.

### **The Industry**

The ARC Network conducts business in the professional services industry of accident reconstruction. Professionals in this industry are referred to as "accident reconstruction experts" and their objective is to determine how, but not why, an accident occurred, utilizing all available information. The ARC Network focuses on automotive, pedestrian and bicycle accidents; however, boating, aviation and railway accidents are also covered.

The industry works primarily with attorneys, insurance companies and government entities. They retain the services of accident reconstruction experts to aid in the litigation of their cases.

Accident reconstruction is truly a niche industry. The industry is growing and comprised of educated professionals with discretionary income. In addition, it is virtually recession proof because it deals with humans, their interaction with motor vehicles and the need to litigate.

The ability to combine the industry with Internet technologies is the real strength of The ARC Network's business strategy. Internet technologies enable The ARC Network to expand and grow the industry of accident reconstruction to new heights.

The accident reconstruction industry has just recently begun its migration to the Internet. Experts all over the world are learning how to research and communicate, via the Internet, to other reconstructionists. Accident reconstruction experts have a need to use the Internet to streamline productivity in their everyday business. The Internet will allow them to be more efficient.

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### **Demographics**

The users of The ARC Network include, but are not limited to, the following:

Accident reconstruction experts

Accident investigators  
Engineers  
Police Officers (traffic)  
Attorneys  
Insurance claim adjusters  
Transportation Services  
Medical/Chiropractic  
Government entities  
Any business targeting the above group

The typical user has the following characteristics:

Male  
Age 30-60  
College educated  
Income of \$50,000+  
Computer literate

The organizations that participate with The ARC Network are nonprofit professional groups that are industry specific and include: California Association of Accident Reconstruction Specialists, Forensic Accident Reconstructionists of Oregon, International Association of Accident Reconstruction Specialists, The National Association of Professional Accident Reconstruction Specialists, Inc., National Association of Traffic Accident Reconstructionists and Investigators, New York Statewide Traffic Accident Reconstruction Society, Society of Accident Reconstruction Specialists and Washington Association of Technical Accident Investigators.

The Internet allows The ARC Network's customer base to be worldwide. Currently, The ARC Network is concentrating its marketing efforts on attracting customers located in the United States and Canada; however, the reach is global and we currently have international members.

#### Market Size/Trends

The total market size is continually growing. The number of accident reconstruction experts continues to grow as traffic police officers leave the force to embark on private careers in accident reconstruction. The number of personal injury attorneys is increasing with the population and the continuous need for this type of legal representation.

Reconstruction Data Group management estimates that the total population of accident reconstructionists in the United States is 10,000. Other targeted users are estimated in the hundreds of thousands.

As the number of professionals in the industry grows, there becomes an even greater need for a portal web site for the industry. In addition, there is a complimentary increase in number of products and services available. Products and services, including publications, software, seminars and crash tests are being introduced and conducted with more frequency than at any time in the history of this industry.

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### **Accrediting Standards/Licensing**

In 1985, the National Highway Traffic Safety Administration provided a grant to develop national guidelines for the standardization of training in the field of traffic accident reconstruction. A task force of accident reconstructionists, engineers, police officers, educators and attorneys developed a report entitled Minimum Training for Police Traffic Accident Reconstructionists. The report addressed certification of individuals in the field and recommended "a certification board be formed" to accredit accident investigators and reconstructionists. Five years later, twelve professional accident reconstruction associations with worldwide representation met to explore the possibility of forming a recognized accreditation program open to both police and civilian reconstructionists. The Accreditation Commission for Traffic Accident Reconstruction (ACTAR) was the result of that professional coalition.

ACTAR exists for the benefit of the accident investigation and reconstruction community, and is represented by membership of professional participating organizations. The commission is neither controlled nor governed by any governmental body or agency. Its goals include the recognition of minimum standards for accident reconstruction, as well as an ongoing review of the latest technologies and trends in the profession to update and/or improve these minimum

standards. Participation in the accreditation program is voluntary, and requires proper training and experience to successfully achieve accreditation through the completion of an examination, as well as continuing education units to maintain accreditation.

Police officer training standards and accreditation for accident investigations and reconstruction may vary by individual states, counties, and communities. Training and accreditation may be through each individual agency, or through professional and educational organizations.

Whether police or civilian accident reconstructionists, accreditation may provide the professional with some additional level of acceptance when interacting with the legal and scientific community. Accreditation encourages the integrity, consistency and professionalism of the accident reconstruction industry.

Reconstruction Data Group, Inc. will recognize and comply with those minimum standards established for the accident reconstruction industry; as pertaining to services offered, training recommendations, seminars, crash test performances, and online research education facilities. Reconstruction Data Group, Inc. is aware of no existing or intended licensing requirements for the accident reconstructionist professional.

## **Competition**

The ARC Network represents a new business model for this industry. There are few, if any, direct competitors. The two businesses that The ARC Network views as its direct competition have web sites, but are not professional organizations. These businesses are described in more detail below. Businesses viewed as indirect competitors, such as non-profit professional organizations, are expected to become integrated as part of The ARC Network in some fashion. This creates new synergistic relationships in place of actual competition.

### **Traffic Accident Reconstruction Origin (TARO)**

The Traffic Accident Reconstruction Origin (TARO, [www.tarorigin.com](http://www.tarorigin.com)) was created in August 1996 and was the first-to-market with a content driven web site. The Traffic Accident Reconstruction Origin's objective is to encourage communication between individuals practicing in the field of accident reconstruction, provide a forum for the exchange of ideas and techniques, and offer its contents free of charge to anyone that wants the information. The Traffic Accident Reconstruction Origin draws its operating budget solely from advertising.

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The Traffic Accident Reconstruction Origin web site features a newsroom, technical articles, product information, jobs and training information, accident reconstruction exercises, an organization directory, personal advertising, and classified advertisements. The Traffic Accident Reconstruction Origin markets banner advertising and professional profiles.

The Traffic Accident Reconstruction Origin web site is an excellent source of information for the accident investigator or reconstructionist. Neither memberships nor memberships advantages are offered, no newsletter is published, web site updates are performed quarterly, and all resources and services are specifically related to the web site (i.e., no crash tests conducted, no training seminars conducted). The Traffic Accident Reconstruction Origin's operating budget is currently intended for the acquisition, support, and maintenance of information, and support of the web site.

### **Accident Investigation and Reconstruction Center (AIRC)**

The Accident Investigation and Reconstruction Center (AIRC, [www.aiexperts.com](http://www.aiexperts.com)) was created in July 1999. The AIRC web site is an information resource for accident investigators and reconstructionists; featuring a newsroom, forum, product listings, job classifieds, training events, a directory, and advertisements. The Accident Investigation and Reconstruction Center web site emphasis and promotes software products, either proprietary or other company provided.

The Accident Investigation and Reconstruction Center markets banner advertising and web page design. AIRC also promotes an Accident Reconstruction Web Ring, which is convenient for investigators and reconstructions wishing to list or visit other industry related web sites. The current Accident Reconstruction Web Ring, owned and promoted by AIRC, is comprised of more than 100 industry-related web sites.

The Accident Investigation and Reconstruction Center is web site oriented; producing no external publication, and conducting no external events (e.g., crash tests or training seminars).

## **Pricing**

Currently the ARC Network is offering its services at a rate to induce interest, build content and traffic. Once established

and operating at full capacity the ARC Network will be able to charge higher prices. The ARC Network's pricing strategy will not only cover costs and make a profit, but will help to establish us as an industry leader. Once established within the industry, The ARC Network will be able to charge premium prices as well as affordable alternatives.

Comparative prices are taken from direct competitors, industry-related companies, and Internet web sites offering comparable services. Narratives are provided to explain the ARC Network provided services as well as the comparative services and prices structure presented.

The ARC Network charges the following for its services:

#### Membership

##### Individual

Basic	Simple text listing	\$49 per year
Gold	Includes brief career resume	\$149 per year with a \$25 setup fee
Platinum	Web page package	\$249 per year with a \$50 setup fee

##### Organizations

Basic	Simple text listing	\$50 per year
Advanced	Web page and marketing package	\$350 per year with a \$50 setup fee

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*Comparative individual membership rates include:*

*\$16 per year for a student/undergraduate*

*\$35 per year for a basic membership*

*\$100 per year and up for a professional profile (career resume)*

*\$200 per year and up for a web page package*

*Comparative corporate membership rates include:*

*\$35 to \$50 for a simple text listing*

*\$200 and up for a web page and marketing package*

*Membership rates can vary based upon the visibility and credibility of the company, membership advantages and discounts, and the extent and complexity of the professional profile or web page and marketing package.*

#### Advertising

Banner	Size: 468 pixels by 60 pixels	\$50 per month
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*Comparative banner advertising is available at rates of \$25 - \$55 per month. The Traffic Accident Reconstruction Origin (TARO) web site updates advertising quarterly and charges \$50 per quarter. Accident Investigators Resource Center (AIRC) offer comparable size banner advertising at \$25 per month. Advertising rates will vary depending upon web site popularity, and membership advantages and discounts. The ARC membership or specialty packages, and not as separately billed hourly or project tasks.*

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#### Crash Tests

\$495 - 695 per person	100 attendees
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*Crash test attendees may find costs varying from \$175 per person to \$695 per person; the variance may be dependent upon the organization conducting the crash test, the purpose of the crash test, the number of attendees, and whether the crash test includes any accompanying analysis or training seminar. Crash tests performed by an organization that owns a qualified facility and uses the facility's trained personnel may be significantly less costly than a crash test performed by an organization that must rent a qualified facility and trained personnel. Cost justification for a renting organization must be found in the purpose of the crash test, the number of attendees, and an accompanying analysis or training seminar.*

#### Training Seminars

\$395 per person	35 - 50 attendees
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*The costs of training seminars may vary significantly, with comparable rates found at \$75 per person to \$395 per person. Cost per person includes dependencies upon the subject matter, speaker, number of attendees, and length of the seminar.*

No crash tests or training seminars have been conducted as of the date of this prospectus. These are intended services. Currently a suitable crash test facility is being sought and no firm dates for a crash test or seminar exist.

(d)

Describe specifically the marketing strategies the Company is employing or will employ in penetrating its market or developing a new market. Set forth in response to Question 4 below the timing and size of the results of this effort which will be necessary in order for the Company to be profitable. Indicate how and by whom its products or services are or will be marketed (such as advertising, personal contacts by sales representatives, etc.), how its marketing structure operates or will operate and the basis for its marketing approach, including any market studies. Name any customers that account for, or based upon existing orders will account for a major portion (20% or more) of the Company's sales. Describe any major existing sales contracts.

Our target market is accident reconstruction experts, investigators, engineers and police officers. Once we have built a strong foundation of these users we will then begin campaigns directed at attorneys, insurance companies and government entities.

The following is a list of current marketing campaigns:

**Search Engines:** 35% of membership revenue is directly related to search engine relevance. As part of the marketing plan, it is critical that The ARC Network is located in the top 10 (at minimum) in all major search engines.

**Trade Shows:** Trade shows have proven to be an excellent method to humanize the web site and promote membership. Each trade show is analyzed and researched to qualify for our participation. The goal of this marketing campaign is to increase membership in the ARC Network, expose potential users to our organization and build awareness and brand recognition.

**Permission-based Email:** Permission-based email has also proven to be one of the best and most cost-effective ways to drive traffic to the site. 25% of all membership revenue has been tied directly to email efforts. These efforts include an online, subscription-based newsletter and an email event notification service.

**Direct Mail:** Direct mail has proven to be very effective. We have a response rate of approximately 3.6% and a return on investment of over 350%.

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**Partnerships:** Although we have not developed a way to effectively measure this type of marketing, we believe it to be very important. This involves partnering with industry leaders in cross-promotion. For example, SAE (Society of Automotive Engineers) will hand out our brochures at their seminars and conferences if we help them promote it on The ARC Network. In reality, this is a double win for the ARC Network because SAE is providing us with valuable content for the Events Calendar and are also promoting our site at their event.

The ARC Network believes a successful marketing plan utilizes both traditional and non-traditional campaigns, as well as a mixture of Internet advertising and media advertising. As the ARC Network grows, we will add additional campaigns to meet our objectives.

The initial marketing efforts for members and advertisers are directed at the United States and Canada. These efforts will be extended to other countries depending on web site usage and demand.

Scott Baker, the founder of ARC Network, performs all marketing for the ARC Network using proven models for Internet marketing. Mr. Baker holds a Marketing degree from San Diego State University, was the Internet marketing strategist for MicroAge, Inc. a Fortune 500 computer company, and was the Chief Marketing Officer for 1st Net Technologies, Inc.

(e)

State the backlog of written firm orders for products and/or services as of a recent date (within the last 90 days) and compare it with the backlog of a year ago from that date.

Reconstruction Data Group, Inc. is newly formed with a limited operating history and does not currently have a backlog of written firm orders for products or services as of a recent date, nor does Reconstruction Data Group, Inc. have an

operational background or history which would provide for a comparative backlog of one year ago for such products or services.

(f)

State the number of the Company's present employees and the number of employees it anticipates it will have within the next 12 months. Also, indicate the number by type of employee (i.e., clerical, operations, administrative, etc.) the Company will use, whether or not any of them are subject to collective bargaining agreements, and the expiration date(s) of any collective bargaining agreement(s). If the Company's employees are on strike, or have been on the past three years, or are threatening to strike, describe the dispute. Indicate any supplemental benefits or incentive arrangements the Company has or will have with its employees.

Type of Employee	Current Number of Employees	Number of Employees Within Next 12 Months
Administrative	1	3
Operations	1	2
Clerical	0	1
TOTAL	2	6

NOTE: The current employees are the officers of Reconstruction Data Group, Inc.

Present employees: 2

Scott Baker: Founder/President

Tonya Baker: Executive Assistant – handles new memberships and office management.

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Scott Baker is a full time employee of Reconstruction Data Group, Inc. and is assisted part-time, as necessary, by Tonya Baker. Scott Baker and Tonya Baker are husband and wife.

Scott Baker manages the ARC Network. He also founded and developed The ARC Network. Mr. Baker has relevant business experience and background to effectively manage and operate the business. As The ARC Network grows, additional employees will be added in anticipation of need.

Labor

The labor force required for The ARC Network to expand and grow to the next level and beyond is as follows:

Sales Manager

Marketing Manager

Webmaster – and designer

Systems Admin and Database Admin

Administrative

None of Reconstruction Data Group, Inc.'s employees are subject to collective bargaining agreements.

Reconstruction Data Group, Inc. does not have and does not intend to have any supplemental benefits or incentive agreements with any of its employees.

The ARC Network will analyze its needs before incurring the expenses associated with each salaried, full-time employee. Some work will be outsourced to independent contractors to limit the overhead attributable to full-time employees.

(g)

Describe generally the principal properties (such as real estate, plant and equipment, patents, etc.) that the Company owns, indicating also what properties it leases and a summary of the terms under those leases, including the amount of payments, expiration dates and the terms of any renewal options. Indicate what properties the Company intends to acquire in the immediate future, the cost of such acquisitions and the source of financing it expects to use in obtaining these

properties, whether by purchase, lease, or otherwise.

Reconstruction Data Group, Inc. currently operates from office facilities located at 11650 Iberia Place, Suite 201, San Diego, California 92128. Office facilities are acquired through a standard office lease for approximately 750 square feet of usable office space; leased at a rate of \$1313.00 per month, commenced June 2001 and ending May 2002.

The company does not intend to acquire additional properties in the immediate future.

(h)

Indicate the extent to which the Company's operations depend or are expected to depend upon patents, copyrights, trade secrets, know-how or other proprietary information and the steps undertaken to secure and protect this intellectual property, including any use of confidentially agreements, covenants-not-to-compete and the like. Summarize the principal terms and expiration dates of any significant license agreements. Indicate the amounts expended by the Company for research and development during the last fiscal year, the amount expected to be spent this year and what percentage of revenues research and development expenditures were for the last fiscal year.

Reconstruction Data Group, Inc. does not depend and is not expected to depend, upon patents, copyrights, trade secrets, know-how, or other proprietary information. Reconstruction Data Group, Inc. has expended no amounts for research and development in the last fiscal year.

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(i)

If the Company's business, products, or properties are subject to material regulation (including environmental regulation) by federal, state, or local governmental agencies, indicate the nature and extent of regulation and its effect or potential effects upon the Company.

Reconstruction Data Group, Inc.'s business and products are not subject to material regulation (including environmental regulation) by any federal, state, or local government agency. Reconstruction Data Group does not foresee any such material or environmental regulation as becoming applicable, and anticipates no effect or potential effect on the business of Reconstruction Data Group as to material and/or environmental regulation.

(j)

State the names of any subsidiaries of the Company, their business purposes and ownership, and indicate which are included in the Financial Statements attached hereto. If not included, or if included but not consolidated, please explain.

Reconstruction Data Group, Inc. has no subsidiaries.

(k)

Summarize the material events in the development of the Company (including any material mergers or acquisitions) during the past five years, or for whatever lesser period the Company has been in existence. Discuss any pending or anticipated mergers, acquisitions, spin-offs or recapitalizations. If the Company has recently undergone a stock split, stock dividend or recapitalization in anticipation of this offering, describe (and adjust historical per share figures elsewhere in this registration statement accordingly).

Reconstruction Data Group, Inc. was incorporated in the state of California on September 27, 2000 as Rocker

& Spike Entertainment, Inc. Up to December 31, 2000, Reconstruction Data Group, Inc.'s operations consisted of organizational matters, the sale of its no par value common stock and due to the abandonment of its original business plan sought an operating company with which to perform a merger or acquisition. Following the asset purchase from ARC, Reconstruction Data Group, Inc. intends to continue to provide resources to the accident reconstruction industry via its Internet web domain.

On January 1, 2001, the Company issued 150,000 shares of its no par value common stock to the sole proprietor of the ARC Network in exchange for all of the assets, rights, and interests of ARC, including its web domain. The book value of ARC's net assets as of the date of the acquisition totaled \$21,311. The Board of Directors considered contemporaneous equity transactions and other analysis to determine the fair value of the transaction based on the common stock issued. The Board valued the transaction at \$1.00 per share (\$150,000) based on a contemporaneous private stock offering. Substantially all of the purchase price was allocated to the web domain and no goodwill was recognized. Subsequently,

due to an economic downturn in the Internet industry, the Company evaluated the recoverability of the web domain. While the web domain has generated revenues and profits in the past, the recorded value of the web domain exceeded its estimated fair value based on similar web sites. Accordingly, during the nine months ended September 30, 2001, the Company adjusted the carrying value of the web domain to its estimated fair value of approximately \$30,000, resulting in a non-cash impairment loss of \$102,445 (\$.33 per share). The estimated fair value was based on the market value of similar web sites at the time of the write-down.

Reconstruction Data Group, Inc. and the sole proprietor were unrelated prior to the acquisition. No fairness opinion was sought by or rendered to the board in connection with the acquisition.

Following the acquisition, the company changed its name from Rocker & Spike Entertainment, Inc. to Reconstruction Data Group, Inc. The proprietor is now the President of Reconstruction Data Group, Inc.

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#### 4 (a).

If the Company was not profitable during its last fiscal year, list below in chronological order the events which in management's opinion must or should occur or the milestones which in management's opinion the Company must or should reach in order for the Company to become profitable, and indicate the expected manner of occurrence or the expected method by which the Company will achieve the milestones.

Reconstruction Data Group, Inc. will focus on the following major activities during the 12 months following receipt of proceeds from this offering.

##### Marketing

Marketing includes participation in trade shows, permission based Email and direct mail campaigns. Each of these tasks is directly related to advertisement of the ARC Network; to promote awareness of the network and increase membership. Reconstruction Data Group, Inc. will also work to develop partnerships with industry leaders for the purpose of cross-promotion; which may include distributing brochures at others seminars in exchange for promoting these others on the ARC Network. Management believes a major marketing milestone would be proving the crash test and seminar model; the crash tests and seminars are expected to provide significant funding to increase Reconstruction Data Group, Inc.'s business operations.

##### Staffing

Reconstruction Data Group, Inc. will require additional employees to fully implement marketing and web site development plans. A webmaster, web site design and development, is considered necessary. Marketing and sales will require the addition of one individual; ideally, one individual to work on marketing and one individual to focus on sales is intended. Management also plans to acquire an operational employee to handle systems and database administration, as well as one clerical employee.

Reconstruction Data Group, Inc. will analyze needs before incurring expenses associated with each salaried, full-time employee. Some work may be subcontracted to limit operational expenses.

##### Web Site Development

The Internet facilities of Reconstruction Data Group, Inc. are an extension and supportive function of sales and marketing. Those activities specifically related to the web site include banner advertising, other individual or company web site design, communications and research facilities. As related to sales and marketing, the web site must provide the underlying facilities to support permission based Email campaigns, and must maintain a priority position in all related Internet search engine facilities.

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The following specifies the events which Reconstruction Data Group, Inc. management believes must occur within the indicated timeframe, number of months after receipt of proceeds, to create revenues and achieve desired levels of profitability:

Event or Milestone	Timeframe	Manner of Occurrence or Method of Achievement
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Marketing - Conduct planned events - Plan and begin partnerships	2 months	Schedule trade show participation, conduct Email and direct mail advertising campaigns, define and begin process for selecting partnership candidates. An amount of \$25,000 is allocated from Marketing Funds for the costs and expenses of conducting and completing this event.
Staffing - Webmaster - Marketing and Sales	4 months	Acquire webmaster, web site design and development. Acquire one marketing and sales individual. An amount of \$52,500 is made available from Salary Funds for the acquisition and salaries of these new employees.
Marketing - Continue planned events - Establish partnerships	6 months	Trade show, Email direct mail activities ongoing. Complete and establish partnership relationships. Costs and expenses are to be covered by the allocation of an additional \$25,000 from Marketing Funds.
Web site development - Continue and refine web site	6 months	Complete and refine web site facilities. Web site development funds of \$50,000 are available for conducting and completing these web site refinements.
Staffing - Marketing and Sales	8 months	Acquire second marketing and sales individual. Staffing funds of \$25,000 are made available for the acquisition and partial year salary of this new employee.
Marketing - Verify crash test model	10 months	Verify and prove crash test and seminar model. Upon successful completion, develop plan for crash test and seminar in next six months. \$50,000 from Marketing Funds is allocated for the planning and proving the crash test and seminar model.
Staffing - Operations and clerical	12 months	Acquire systems and database administrator. Acquire clerical individual. Staffing funds of \$15,000 remain available for acquiring these additional employees and any partial year salaries.

**4 (b).**

State the probable consequences to the Company of delays in achieving each of the events or milestones within the above time schedule, and particularly the effect of any delays upon the Company's liquidity in view of the Company's then anticipated level of operating costs. (See Question #'s 11 and 12)

Event or Milestone	Consequences
Marketing - Conduct planned events - Plan and begin partnerships	Trade shows, Email and direct mail advertising are current activities used by Reconstruction Data Group, Inc. These activities will be continued to ensure continued visibility for the ARC Network. Reconstruction Data Group, Inc. will further define and plan for

the use of partnerships in cross-promotional advertisements. Either a delay in continuing current activities or refining plans for partnerships would not affect Reconstruction Data Group's liquidity at this time as operating costs are minimal. Such a delay may indicate inadequate planning or resources to continue planned staffing or growth of Reconstruction Data Group, Inc.

#### Staffing

- Webmaster
- Marketing and Sales

Reconstruction Data Group, Inc. is dependent upon acquiring these two individuals to achieve its business objectives. A delay in the completion of this event does not impact the Reconstruction Data Group, Inc.'s ability to meet current operating costs, but precludes further growth and the ability to achieve or increase profitability.

#### Marketing

- Continue planned events
- Establish partnerships

The acquired and qualified marketing and sales individual will be able to continue and/or expand planned marketing activities and complete tasks to establish industry partnerships to support cross-promotional marketing. A delay in completing these activities will affect liquidity, as operating costs have increased due to additional staffing.

#### Web site development

- Continue and refine web site

The acquired and qualified webmaster will continue and/or refine the ARC Network facilities. Support will be established for those facilities needed by Reconstruction Data Group, Inc. and clients; including, banner advertising, web site design, and communications facilities. A delay in completing these activities will affect liquidity, as operating costs will have increased due to additional staffing.

#### Staffing

- Marketing and sales

The acquisition of a second marketing and sales individual provides proficiency for activities underway, and ensures sufficient resources for verification of the crash test and seminar model. A delay in the completion of this event is not expected to impact liquidity, but may cause profitability anticipated due to revenues from crash tests and seminars to be significantly delayed.

#### Marketing

- Verify crash test model

The crash test and seminars are expected to bring significant funding to Reconstruction Data Group, Inc. A delay in completing this event delays scheduling and conducting the actual crash tests and seminars, and will significantly limit growth and profitability.

#### Staffing

- Operations and clerical

A delay in acquiring an additional operations individual and one clerical individual will not impact Reconstruction Data Group, Inc.'s liquidity. These acquisitions will not be made until/unless justified by revenues and profitability.

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## OFFERING PRICE FACTORS

If the securities offered are common stock, or are exercisable for or convertible into common stock, the following factors may be relevant to the price at which the securities are being offered.

What were net, after-tax earnings for the last fiscal year?

Reconstruction Data Group, Inc. is a development stage company without meaningful operating history; or net, after tax earning for the last fiscal year.

**6.**

If the Company had profits, show offering price as a multiple of earnings. Adjust to reflect for any stock splits or recapitalizations, and use conversion or exercise price in lieu of offering price, if applicable.

Reconstruction Data Group, Inc. was incorporated on September 27, 2000; and did not have profits for the last fiscal year.

**7(a).**

What is the net tangible book value of the Company? If deficit, shown in parenthesis.) For this purpose, net tangible book value means total assets (exclusive of copyrights, patents, goodwill, research and development costs and similar intangible items) minus total liabilities. If the net tangible book value per share is substantially less than this offering (or exercise or conversion) price per share, explain the reasons for variation.

Reconstruction Data Group, Inc. current net tangible book value is \$18,709.00 or \$0.06 per share. Giving effect to the sale by Reconstruction Data Group, Inc. of all offered shares at the public offering price, the net tangible book value of Reconstruction Data Group, Inc. would be \$385,209.00 or \$0.54 per share which results in dilution to the new shareholders of \$0.46 per share.

The offering price was arbitrarily determined and bears no relationship to assets, value, net worth or other economic or recognized criteria of value. There is currently no market for the stock and the only cash sales for the stock were in a private offering of 61,000 shares at \$1.00 per share. New investors will experience dilution directly attributable to losses incurred primarily from compensation to an officer and the purchase of assets from an officer.

The following reflects dilution to the new shareholders based upon maximum and nominal sales of shares at the offering price of \$1.00 per share.

	Maximum (400,000) Shares Sold	50% (200,000) Shares Sold	10% (40,000) Shares Sold
Net tangible book value	\$ 385,209.00	\$ 185,209.00	\$ 25,209.00
Per share value	\$ 0.54	\$ 0.36	\$ 0.07
Dilution to new shareholders	\$ 0.46	\$ 0.64	\$ 0.93

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**7(b).**

State the dates on which the Company sold or otherwise issued securities during the last 12 months, the amount of such securities sold, the number of persons to whom they were sold, and relationship of such persons to the Company at the time of the sale, the price at which they were sold, and if not sold for cash, a concise description of the consideration. (Exclude bank debt).

On September 29, 2000, the Board of Directors approved the issuance of 100,000 shares of Reconstruction Data Group, Inc.'s no par value restricted common stock to an officer/director of Reconstruction Data Group, Inc. in exchange for services related to the organization of Reconstruction Data Group, Inc. The Board valued the transaction at \$1.00 per share. These shares are "restricted securities" and may be sold only in compliance with Rule 144 of the Securities Act of 1933, as amended.

During October and November of 2000, Reconstruction Data Group, Inc. offered for sale 61,000 shares of its no par value common stock at \$1.00 per share pursuant to an exemption from registration under Regulation D of the Securities Act of 1933, as amended. Reconstruction Data Group, Inc. conducted the private offering through its executive officers and

directors and sold all 61,000 shares for proceeds of \$61,000.

On January 1, 2001, Reconstruction Data Group, Inc. issued 150,000 shares of its no par value common stock to the sole proprietor of ARC in exchange for all of the assets, rights, and interests of ARC, including its web domain. The book value of ARC's net liabilities as of the date of the acquisition totaled \$212. The Board of Directors considered contemporaneous equity transactions and other analysis to determine the fair value of the transaction based on the common stock issued. The Board valued the transaction at \$1.00 per share (\$150,000) based on a contemporaneous private stock offering. Reconstruction Data Group, Inc. has recorded the transaction as a purchase in accordance with Accounting Principles Board Opinion No. 16.

**8(a).**

What percentage of the outstanding shares of the Company will the investors in this offering have? Assume exercise of outstanding options, warrants or rights and conversion of convertible securities, if the respective exercise or conversion prices are at or less than the offering price. (Also assume exercise of any options, warrants or rights and conversions of any convertible securities in this offering.)

Assuming maximum offering is sold: 56%

**8(b).**

What post-offering value is management implicitly attributing to the entire Company by establishing the price per security set forth on the cover page (or exercise conversion price if common stock is not offered)? (Total outstanding shares after offering times offering price, or exercise or conversion price if common stock is not offered.)

Assuming maximum offering is sold: \$ 711,000.00

(For above purposes, assume outstanding options are exercised in determining "shares" if the exercise prices are at or less than the offering price. All convertible securities, including outstanding convertible securities, shall be assumed converted and any options, warrants or rights in this offering shall be assumed exercised.)

Note: After reviewing the above, potential investors should consider whether or not the offering price (or exercise or conversion price, if applicable) for the securities is appropriate at the present stage of the Company's development.

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**USE OF PROCEEDS**

**9 (a).**

The following table sets forth the use of proceeds from this offering (based on the minimum and maximum offering amounts):

	Maximum*		50%*		10%*	
	Offering		Offering		Offering	
	Amount	Percent	Amount	Percent	Amount	Percent
Total Proceeds	\$400,000	100	\$200,000	100	\$40,000	100
Less: Offering Expenses						
Transfer Agent Fee	\$1,000	0.2	\$1,000	0.5	\$1,000	2.5
Filing Fees	\$1,000	0.2	\$1,000	0.5	\$1,000	2.5
Printing Cost	\$1,500	0.3	\$1,500	0.8	\$1,500	3.8
Legal Fees	\$25,000	6.3	\$25,000	12.5	\$25,000	62.5
Accounting Fees	\$5,000	1.3	\$5,000	2.5	\$5,000	12.5
Net Proceeds from Offering	\$366,500	91.7	\$166,500	83.2	\$6,500	16.2
Use of Net Proceeds						
Marketing	\$100,000	25.0	\$90,000	45.0	\$6,500	16.2
Web Site Development	\$50,000	12.5	\$40,000	20.0	0	

Employee Salary Reserve	\$92,500	23.1	\$36,500	18.2	0	
Accounting and Legal Reserve	\$24,000	6.1	0		0	
Office Expenses/Lease Reserve	\$20,000	5.0	0		0	
Misc. and Unforeseen Expenses	\$80,000	20.0	0		0	
Total Use of Net Proceeds	\$366,500	91.7	\$166,500	83.2	\$6,500	16.2
Total Proceeds	\$400,000	100%	\$200,000	100%	\$40,000	100%

\*

Offering Amount	Definition
Maximum	All common stock offered; 400,000 shares are sold through the offering.
50% Offering	50% of common stock offered; 200,000 shares are sold through the offering.
10% Offering	10% of common stock offered; 40,000 shares are sold through the offering.

Management anticipates expending these funds for the purposes indicated above. To the extent that expenditures are less than projected, the resulting balance will be retained and used for general working capital purposes or allocated according to the discretion of the Board of Directors. Conversely, to the extent that such expenditures require the utilization of funds in excess of the amount anticipated, supplemental amounts may be drawn from the other sources, including, but not limited to, general working capital and/or external financing. The net proceeds of this offering that are not expended immediately may be deposited in an interest or non-interest bearing account, or invested in government obligations, certificates of deposit, commercial paper, money market funds, or similar investments.

Potential investors are advised there can be no assurance that any proceeds will be realized from this offering. Reconstruction Data Group, Inc. may utilize up to a maximum of \$36,000 of the offering proceeds towards the president's salary.

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## 9 (b).

If there is no minimum amount of proceeds that must be raised before the Company may use the proceeds of this offering, describe the order of priority in which the proceeds set forth above in the column Maximum Offering Amount will be used.

Transfer Agent

Filing Fees

Printing Costs

Legal Fees

Accounting Fees

Marketing

Web Site Development

Reserve for Employee Salary

Reserve for Accounting and Legal

Reserve for Office Expenses and Lease

Misc. and Unforeseen Expenses

Note: After reviewing the portion of the offering allocated to the payment of offering expenses, and to the immediate payment to management and promoters of any fees, reimbursements, past salaries or similar payments, a potential investor should consider whether the remaining portion of his investment, which would be that part available for future development of the Company's business and operations, would be adequate.

**10 (a).**

If material amounts of funds from sources other than this offering are to be used in conjunction with the proceeds from this offering, state the amount and sources of such other funds, and whether the funds are firm or contingent. If contingent, explain.

Material amounts of funds from sources, neither firm nor contingent, other than this offering are not anticipated or intended to be used in conjunction with the proceeds from this offering.

**10 (b).**

If any material part of the proceeds is to be used to discharge indebtedness, describe the terms of such indebtedness, including interest rates. If the indebtedness to be discharged was incurred within the current or previous fiscal year, describe the use of proceeds of such indebtedness.

Reconstruction Data Group, Inc. intends the use of no material part of the proceeds to discharge indebtedness.

**10 (c).**

If any material amount of proceeds is to be used to acquire assets, other than in the ordinary course of business, briefly describe and state the cost of the assets and other material terms of the acquisitions. If the assets are to be acquired from officers, directors, employees or principal stockholders of the company or their associates, give the names of the persons from whom the assets are to be acquired and set forth the cost to the Company, the method followed in determining the cost, and any profit to such persons.

No material amount of the proceeds is to be used to acquire assets, other than in the ordinary course of business. Reconstruction Data Group, Inc. does not intend the acquisition of assets from officers, directors, employees, or principal stockholders of Reconstruction Data Group, Inc. or their associates.

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**10 (d).**

If any amount of the proceeds is to be used to reimburse any officer, director, employee or stockholder for services already rendered, assets previously transferred, or monies loaned or advance, or otherwise, explain.

No amount of the proceeds is intended to be used for the reimbursement of previously rendered services, transferred assets, monies loaned or advanced, or otherwise.

**11.**

Indicate whether the Company is having or anticipates having within the next 12 months any cash flow or liquidity problems and whether or not it is in default or in breach of any not, loan, lease or other indebtedness or financing arrangement requiring the Company to make payments. Indicate if a significant amount of the Company's trade payables have not been paid within the stated trade term. State whether the Company is subject to any unsatisfied judgments, liens or settlement obligations and the amounts thereof. Indicate the Company's plans to resolve any such problems.

Reconstruction Data Group, Inc. does not have nor anticipates having within the next 12 months any cash flow or liquidity problems, and is not in default or in breach of any note, loan, lease or other indebtedness or financing arrangement requiring Reconstruction Data Group, Inc. to make payments. Reconstruction Data Group, Inc. is not subject to any unsatisfied judgements, liens or settlement obligations.

Reconstruction Data Group, Inc.'s basis for not anticipating cash flow problems in the next 12 months includes; a current extremely low overhead, no debt and cash sufficient to satisfy current obligations. Also, current operations of the recently acquired ARC Network are producing a small net revenue.

Potential investors should cautiously evaluate company expectations providing the preceding basis. The company is dependent on the offering proceeds to implement its business plans, should the offering fail to raise sufficient proceeds, the company's growth could be severely retarded. This should be carefully considered with realization that no officers of the company have entered into any agreement, informal or formal, to invest additional cash, if needed. If an event or milestone of our business plan is not achieved as scheduled, the company would expect profitability to be delayed. The company does not anticipate any delays or cash flow problems which would expose the company's continued operations or existence.

**12.**

Indicate whether proceeds from this offering will satisfy the Company's cash requirements for the next 12 months, and whether it will be necessary to raise additional funds. State the source of additional funds, if known.

Reconstruction Data Group, Inc. currently has extremely low overhead and fully anticipates the proceeds from this offering will satisfy cash requirements for the next 12 months. Even in the extreme event that no proceeds were received from this offering, Reconstruction Data Group, Inc. has sufficient funds and revenue to satisfy expenses for the next 12 months at its current level of activity. Mr. Baker's current salary requirements may not be met if revenues do not increase and no proceeds from the offering are realized. This would likely result in Mr. Baker being available only on a part time basis. Investors are advised Reconstruction Data Group, Inc. at its prior and limited level of operating activity has historically incurred operating losses. Sufficient profits from sales, loans, or other investment would be needed to satisfy the cash requirements of implementing current business plans.

An additional offering of securities could be made or, if sufficient credit history has developed, a loan may be possible through a traditional banking entity. The officers of Reconstruction Data Group, Inc. may invest additional cash into Reconstruction Data Group, Inc. as needed; however, no officer of Reconstruction Data Group, Inc. has entered into any agreement, formal or informal, to invest additional cash.

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**CAPITALIZATION****13.**

Indicate the capitalization of the Company as of the most recent balance sheet date (adjusted to reflect any subsequent stock splits, stock dividends, recapitalizations or refinancings) and as adjusted to reflect the sale of the minimum and maximum amount of securities in this offering and the use of proceeds therefrom:

	Amount Outstanding As of: September 30, 2001
Debt:	
Short-term debt	\$ 82,753
Long-term debt	\$ 0
Total debt	\$ 82,753
Stockholders equity (deficit):	
Preferred stock	\$ 0
Common stock, no par value	\$ 301,000
Additional paid-in capital	\$ 1,400
Deficit accumulated in development stage	\$ (283,691)
Retained earnings (deficit)	\$ 0
Total stockholders equity	\$ 18,709
Total Capitalization	\$ 18,709

Number of preferred shares authorized to be outstanding: 0

Number of common shares authorized: 50,000,000

Par or stated value per share, if any: no par

Number of common shares reserved to meet conversion requirements or for the issuance upon exercise of options, warrants or rights: 0 shares.

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## DESCRIPTION OF SECURITIES

### 14.

The securities being offered hereby are:

Common Stock  Preferred or Preference Stock  Notes or Debentures

Units of two or more type of securities composed of:

Other:

The Securities and Exchange Commission has adopted a rule that includes the definition of a "penny stock" as any equity security that has a market price of less than \$5.00 per share. The company's common stock may be designated a "penny stock" as defined by Rule 3a51-1 of the Securities Exchange Act. For any transaction involving a penny stock, the rules require that; the broker or dealer approve a person's account for transactions in penny stocks; and, the broker or dealer receive from the investor a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person's account for transactions in penny stocks, the broker or dealer must obtain financial information, investment experience, and objectives of the person, make a reasonable determination that the transactions in penny stocks are suitable for that person and that person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks. In addition to the additional disclosure requirements, material risks associated with penny stocks include price fluctuations and the lack of a liquid market for such securities. Investors may find it difficult to find a suitable buyer for their stock and may experience extreme price fluctuations resulting from a small volume of sales.

### 15.

These securities have:

Yes	No	
	X	Cumulative voting rights
	X	Other special voting rights
	X	Preemptive rights to purchase in new issues of shares
	X	Preference as to dividends or interest
	X	Preference upon liquidation
	X	Other special rights or preferences (specify): _____

### 16.

Are the securities convertible?  Yes  No

If so, state conversion price or formula:

Date when conversion becomes effective:

.

Date when conversion expires:

### 17(a).

If securities are notes or other type of debt securities:

1. What is the interest rate? If interest rate is variable or multiple rates, describe: \_\_\_\_\_

2. What is the maturity date? If serial maturity dates, describe: \_\_\_\_\_

3. Is there a mandatory sinking fund? Describe: \_\_\_\_\_

4. Is there a trust indenture? Name, address and telephone number of Trustee: \_\_\_\_\_

5. Are the securities callable or subject to redemption? Describe, including redemption prices: \_\_\_\_\_

6. Are the securities collateralized by real or personal property? Describe: \_\_\_\_\_

7. If these securities are subordinated in right of payment of interest or principal, explain the terms of such subordination.

How much currently outstanding indebtedness of the Company is senior to the securities in right of payment of interest or principal? \$ \_\_\_\_\_

How much indebtedness shares in right of payment on an equivalent basis? \$ \_\_\_\_\_

How much indebtedness is junior (subordinated) to the securities? \$ \_\_\_\_\_

Question 17(a) is shown in content and format for continuity; and, is not applicable regarding Reconstruction Data Group, Inc. as securities are not notes or other types of debt securities.

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**17(b).**

If notes or other types of debt securities are being offered and the Company had earnings during its last fiscal year, show the ratio of earnings to fixed charges on an actual and pro forma basis for that fiscal year. "Earning" means pre-tax income from continuing operations plus fixed charges and capitalized interest. "Fixed charges" means interest (including capitalized interest), amortization of debt discount, premium and expense, preferred stock dividend requirements of majority owned subsidiary, and such portion of rental expense as can be demonstrated to be representative of the interest factor in the particular case. The pro forma ratio of earnings to fixed charges should include incremental interest expense as a result of the offering of the notes or other debt securities.

Question 17(a) is shown in content and format for continuity; and, is not applicable regarding Reconstruction Data Group, Inc. as securities are not notes or other types of debt securities.

**18.**

If securities are Preference or Preferred stock:

Are unpaid dividends cumulative?  Yes  No

Are securities callable?  Yes  No

Explain:

Note: Attach to this registration statement copies or a summary of the charter, bylaw or contractual provision or document that gives rise to the rights of Preferred or Preference Stock, notes or other securities being offered.

Question 18 is shown in content for continuity; and, is not applicable regarding Reconstruction Data Group, Inc. as securities are not Preference or Preferred Stock.

**19.**

If securities are capital stock of any type, indicate restrictions on dividends under loan or other financing arrangements or otherwise:

Reconstruction Data Group, Inc. 400,000 shares of Common Stock.

Reconstruction Data Group, Inc has entered into no loan or financing arrangements or otherwise that would place restrictions on dividends or the ability to declare dividends.

**20.**

Current amount of assets available for payment of dividends if deficit must be first made up, show deficit in parenthesis: \$ 18,709

**PLAN OF DISTRIBUTION**

**21.**

The selling agents (i.e., the persons selling the securities as agent for the Company for a commission or other compensation) in this offering are:

Reconstruction Data Group, Inc. will sell its common stock to the public on a direct participation basis. No commissions or

other fees will be paid, directly or indirectly, by Reconstruction Data Group, Inc. or any of its principals, to any person or firm in connection with solicitation of sales of the common stock. Notwithstanding, costs to be paid in connection with the offering as specified in Use of Proceeds, page 24.

Reconstruction Data Group will offer its securities through Scott B. Baker, President of Reconstruction Data Group, Inc., and rely on the Safe Harbor from Broker-Dealer Registration set out in Rule 3a4-1 under the Securities Exchange Act of 1934.

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Although Mr. Baker is an associated person of Reconstruction Data Group as that term is defined in Rule 3a4-1 under the Exchange Act, he is deemed not to be a broker for the following reasons:

The president is not subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Exchange Act at the time of his participation in the sale of our securities.

The president will not be compensated for his participation in the sale of Reconstruction Data Group, Inc.'s securities by the payment of commission or other remuneration based either directly or indirectly on transactions in securities.

The president is not an associated person of a broker or dealer at the time of participation in the sale of Reconstruction Data Group, Inc.'s securities.

The president will restrict his participation to the following activities:

Preparing any written communication or delivering any communication through the mails or other means that does not involve oral solicitation by the president of a potential purchaser;

Responding to inquiries of potential purchasers in communication initiated by the potential purchasers, provided, however, that the content of responses are limited to information contained in a registration statement filed under the Securities Act or other offering document;

Performing ministerial and clerical work involved in effecting any transaction.

As of the date of this prospectus, Reconstruction Data Group, Inc. for the sale of securities being offered has retained no broker. In the event we retain a broker who may be deemed an underwriter, an amendment to the registration statement will be filed.

## **22.**

Describe any compensation to selling agents or finders, including cash, securities, contracts or other consideration, in addition to cash commissions set forth as a percent of the offering price on the cover page of this registration statement. Also indicate whether the Company will indemnify the selling agents or finders against liabilities under the security laws. ("Finders" are persons who for compensation act as intermediaries in obtaining selling agents or otherwise making introductions in furtherance of this offering.)

No commissions or fees, including any form of compensation to selling agents or finders, will be paid directly or indirectly by Reconstruction Data Group, Inc., or any of its principals.

Reconstruction Data Group, Inc. may decide to use a broker-dealer registered with the NASD and will amend its registration statement by post-effective amendment to identify the selected broker-dealer and disclose the compensation to be paid for those services.

## **23.**

Describe any material relationships between any of the selling agents or finders and the Company or its management.

Reconstruction Data Group, Inc., or any of its principals, will not use selling agents or finders for the selling of securities

Note: After reviewing the amount of compensation to the selling agents or finders for selling the securities, and the nature of any relationship between the selling agents or finders and the Company, a potential investor should assess the extent to which it may be inappropriate to rely upon any recommendation by the selling agents or finders to buy the securities.

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**24.**

If this offering is not being made through selling agents, the name(s) of persons at the Company through which this offering is being made.

Name: Scott B. Baker, President  
Address: 11650 Iberia Place, Suite 201  
San Diego, California 92128  
Telephone: (858) 618-1085

**25.**

If this offering is limited to a special group, such as employees, or is limited to a certain number of individuals (as required to qualify under Subchapter S or the Internal Revenue Code) or is subject to any other limitations, describe the limitation and any restrictions on resale that apply.

Will the certificates bear a legend notifying holders of such restrictions?  Yes  No

Reconstruction Data Group, Inc. is not limiting this offering to any special group or number of individuals, nor is the offering subject to any other limitations.

**26 (a).**

Name, address, and telephone number of independent bank or saving and loan association or other similar depository institution acting as escrow agent if proceeds are escrowed until minimum proceeds are raised:

**(b).**

Date at which funds will be returned by escrow agent if minimum proceeds are not raised: Will interest on proceeds during escrow period be paid to investors?  Yes  No

There is no minimum proceeds set for this offering. All funds received in this offering will be deposited directly into the corporate general account.

**27.**

Explain the nature of any resale restrictions on presently outstanding shares, and when those restrictions will terminate, if this can be determined:

All presently outstanding shares were issued to officers of Reconstruction Data Group, Inc. or close investors subject to exemptions to registration, and were not previously registered with the Securities and Exchange Commission in connection with any other offering. All shares outstanding are subject to Rule 144 of the Securities Act of 1933.

All shares currently issued were issued to officers of Reconstruction Data Group, or close investors subject to exemptions to registration, and are subject to a minimum one-year restriction on resale.

There are no other outstanding shares.

#### **DIVIDENDS, DISTRIBUTION AND REDEMPTIONS**

**28.**

If the company has within the last five years paid dividends, made distributions upon its stock or redeemed any securities, explain how much and when:

Reconstruction Data Group, Inc. has not within the last five years paid dividends, made distributions upon its stock or redeemed any securities.

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#### **OFFICERS AND KEY PERSONNEL OF THE COMPANY**

**29.**

**Chief Executive Officer**

Name: Scott B. Baker

Office Street Address:

Title: President

Age: 32

11650 Iberia Place, Suite 201

San Diego, CA 92128

Telephone: (858) 618-1085

Scott Baker comes to Reconstruction Data Group with an accident reconstruction, marketing, e-commerce, sales and strong entrepreneurial background, and has served as Founder, CEO, Senior Vice President of an internet design and eMarketing company off-and-on since October 1995. He has held business analyst, relationship management, and strategic marketing positions in a Fortune 500 computer company. Mr. Baker started his career in the industry of accident reconstruction. After a couple years training and self-study he became an expert witness in collision analysis. From there he began studying the Internet and built one of the first Internet shopping malls and developed a national Internet consulting home-based business (1<sup>st</sup> Net Technologies). Mr. Baker's experience has provided him an extensive knowledge of Internet commerce, marketing, and business development as well as a solid background in accident reconstruction and investigation.

Name of employers, titles and dates of positions held during the past five years, with an indication of job responsibility.

Employer	Title Dates of Position
1st Net Technologies Responsibilities:	<p>Sr. VP/CMO June 2000 - July 2001</p> <p>Responsible for the day-to-day operations of 1st Net, strategic planning and development and all e-business related matters.</p> <p>Currently working on the technical design and implementation of a direct e-mail marketing and database management/delivery tool.</p> <p>In charge of identifying strategic trends in the Internet marketing industry and helping to guide and implement the strategic plan for 1st Net in leveraging emerging opportunities.</p> <p>Contribute in many areas of the company including, business analysis, project management, customer service, marketing plans, financial budgets, pricing models, collateral, trade shows, strategic partnerships, staff management, and web site design.</p>
MicroAge, Inc.	<p>Sr. Business Analyst/ Internet Marketing Strategist May 1997 – June 2000</p> <p>Responsibilities: Developed a plan to effectively launch MicroAge's B2B E-Commerce Vertical Exchange web site and direct-selling model. Direct involvement with functionality, look-and-feel, usability, metrics and rollout. Also responsible for developing standards in proposals, contracts, statements of work and communicating and aiding field sales executives.</p> <p>Identified future trends in emerging technologies and developed plans to support them.</p>

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Managed a team of developers and graphic artists working on 48 branch web sites and the corporate Intranet.

Provided Webmaster services for all corporate Internet and Intranet sites.

Served as a consultant to implement and train all U.S. branches on MicroAge's e-commerce software package ECadvantage.

1st Net Technologies, LLC

Responsibilities:

Founder/CEO October 1995 - May 1997

Founded 1st Net Technologies, an Internet design and marketing company (www.1stnettech.com)

Conceived, designed and programmed one of the first interactive global marketplaces on the Internet for small and medium-sized businesses.

Developed and implemented a master distributorship throughout the United States to sell and promote Internet consulting.

Conceived, designed and wrote an Internet consulting business program used to promote company growth.

Headed all projects and tasks involved with the company including marketing, accounting, administrative, technical support, customer service, Internet design and programming, contracts, operating agreements and financing.

Ayres Group

Accident Reconstructionist January 1991 – November 1995

Responsibilities: Provided Expert Witness services in the area of accident reconstruction.

Primary responsibility was to investigate traffic accidents and testify in a court of law how the accident occurred by determining vehicle speeds, departure angles, crush-depth and roadway geometries. Most calculations and analysis was based on witness testimony, calculus and physics.

Increased monthly revenue in my division by 250% by incorporating the newest technologies available to the Accident Reconstruction industry.

Education:

Degree

School Date

Bachelor of Science  
Business Administration  
Marketing

San Diego State University, San Diego 1992

Also a director of the Company  Yes  No

Indicate amount of time to be spent on Company matters if less than full time: 100%

**30.**

**Chief Operating Officer**

Scott Baker, President of Reconstruction Data Group, Inc., will also assume the responsibilities of the position of Chief Operating Officer; managing the daily operations of Reconstruction Data Group, Inc.

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**31.**

**Chief Financial Officer**

Name: Clifford Smith

Office Street Address:

Telephone: (858) 618-1085

Title: Corporate Secretary

Age: 41

11650 Iberia Place, Suite 201  
San Diego, CA 92128

Cliff Smith comes to Reconstruction Data Group, Inc., with an e-commerce, sales and marketing background, and has

served as President/CEO of a rich media Advertising / Marketing firm since January 2001. He has held management positions in previous corporations along with various operational positions. Mr. Smith's experience has provided him an extensive knowledge in local, national, and e-commerce markets.

Name of employers, titles and dates of positions held during the past five years, with an indication of job responsibility.

Employer	Title	Dates of Position
1 <sup>st</sup> Look Interactive, Inc. Responsibilities:	President/CEO Oversee day-to-day operations and initialization of the Company's business plan, develop new programs to increase sales, build strategic alliances, and begin capital raising activities.	January 2001 - Present
1 <sup>st</sup> Net Technologies, Inc. Responsibilities: Set up business model, coordinate with vendors.	President Oversee day-to-day operations, built online financial portal newsletters set up e-commerce client sales program,	May 1997 – December 2000
Marriott Hotels Responsibilities:	Food & Beverage Management Set up food and beverage outlets for newly built hotels, establish local operating procedures, facilitated contracts with food and beverage distributors and suppliers, set up staff training, and coordinated new hire procedures.	January 1983 – November 1997

Education:

Degree	School	Date
Bachelor of Science Business Administration Nutrition	Montclair State College, Montclair	June 1982
Associates of Applied Science Hotel / Restaurant Management	Bergen Community College	June 1979

Also a director of the Company  Yes  No  
Indicate amount of time to be spent on Company matters if less than full time: 20 %

Mr. Smith will balance his efforts between Reconstruction Data Group, Inc ., and his current duties at 1<sup>st</sup> Look Interactive, Inc., a rich media advertising / marketing firm.

32.

**Other Key Personnel**

None.

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**DIRECTORS OF THE COMPANY**

33.

Number of Directors: 2

If Directors are not elected annually, or are elected under a voting trust or other arrangement, explain:

The directors shall be elected at an annual meeting of the stockholders and except as otherwise provided within the bylaws of Reconstruction Data Group, Inc., as pertaining to vacancies, shall hold office until his successor is elected and qualified.

**34.**

Information concerning outside or other Directors (i.e., those not described above):

Reconstruction Data Group, Inc. has no other Directors other than those previously described.

**35(a).**

Have any of the Officers or Directors ever worked for or managed a company (including a separate subsidiary or division of a larger enterprise) in the same business as the Company?

Mr. Scott Baker served as an Accident Reconstructionist for the Ayres Group company for a period of five years. Mr. Baker's primary responsibility was to investigate traffic accidents and provide expert witness testimony in a court of law as to how the accident occurred.

**35(b).**

If any of the Officers, Directors or other key personnel have ever worked for or managed a company in the same business as the Company or in a related business or industry, describe what precautions, if any, (including the obtaining of releases or consents from prior employers) have been taken to preclude claims by prior employers for conversion of trade secrets, know-how or other proprietary information.

No non-compete or non-disclosure agreements exist between the management of Reconstruction Data Group and any prior or current employer.

**35(c).**

If the Company has never conducted operations or is otherwise in the development stage, indicate whether any of the Officers or Directors has ever managed any other company in the start-up or development stage and describe the circumstances, including relevant dates.

Mr. Scott Baker founded 1st Net Technologies, an Internet design and marketing company; and managed all operations of the company from October 1995 through May 1997. Mr. Baker directed all projects involved with 1st Net Technologies, including marketing, accounting, administration, technical support, customer service, contracts, and financing.

**35(d).**

If any of the Company's key personnel are not employees but are consultants or other independent contractors, state the details of their engagement by the Company.

All key personnel are employees of Reconstruction Data Group, Inc.

**35(e).**

If the Company has key man life insurance policies on any of its Officers, Directors or key personnel, explain, including the names of the persons insured, the amount of insurance, whether the insurance proceeds are payable to the Company and whether there are arrangements that require the proceeds to be used to redeem securities or pay benefits to the estate of the insured person or a surviving spouse.

Reconstruction Data Group, Inc. does not have key life insurance policies on any of its officers, directors, or key personnel.

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**36.**

If a petition under the Bankruptcy Act or any State insolvency law was filed by or against the Company or its Officers, Directors or other key personnel, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of any such persons, or any partnership in which any such persons was a general partner at or within the last five years, or any corporation or business association of which any such person was an executive officer at or within the past

five years, set forth below the name of such persons, and the nature and date of such actions.

The Directors of Reconstruction Data Group, Inc., is aware of no petitions or receivership actions having been filed or court appointed as to the business activities, officers, directors, or key personnel of Reconstruction Data Group, Inc.

Note: After reviewing the information concerning the background of the company's officers, directors and other key personnel, potential investors should consider whether or not these persons have adequate background and experience to develop and operate this company and to make it successful. In this regard, the experience and ability of management are often considered the most significant factors in the success of a business.

## PRINCIPAL STOCKHOLDERS

### 37.

Principal owners of the Company (those who beneficially own directly or indirectly 10% or more of the common and preferred stock presently outstanding) starting with the largest common stockholder. Include separately all common stock issuable upon conversion of convertible securities (identifying them by asterisk) and show average price per share as if conversion has occurred. Indicate by footnote if the price paid was for a consideration other than cash and the nature of any such consideration.

Reconstruction Data Group, Inc. is incorporated under the laws of the State of California. Reconstruction Data Group has authorized 50,000,000 shares, 311,000 of which are issued and outstanding. Founders and directors hold 250,000 shares, and 61,000 shares were issued through a private placement.

Name	Class of Shares	Average Price Per Share	Number of Shares Now Held	% of Total Outstanding	Number of Shares	
					After Offering If All Securities Sold	Percent Of Total
Scott Baker	Common Stock	\$ 1.00	150,000	48	150,000	21
Cliff Smith	Common Stock	\$ 1.00	100,000	32	100,000	14

On September 29, 2000, the Board of Directors approved the issuance of 100,000 shares of common stock in exchange for services related to the organization of Reconstruction Data Group, Inc.

Office Street Address: 11650 Iberia Place, Suite 201

San Diego, CA 92128

Telephone: (858) 618-1085

**Note: All shares issued bear a restrictive legend subject to Rule 144 of the Securities Exchange Act.**

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### 38.

Number of shares beneficially owned by Officers and Directors as a group:

Before offering: 250,000 shares (80% total outstanding)

After offering: a) Assuming minimum securities sold: 250,000 shares (80% of total outstanding)  
(There is no minimum proceeds set for this offering, assumption is zero sold.)

b) Assuming maximum securities sold: 250,000 shares (35% of total outstanding)

(Assume all options exercised and all convertible securities converted.)

## MANAGEMENT RELATIONSHIPS, TRANSACTIONS, REMUNERATION

**39(a).**

If any of the Officers, Directors, key personnel or principal stockholders are related by blood or marriage, please describe.

None of the officers, directors, key personnel or principal stockholders of Reconstruction Data Group, Inc. are related by blood or marriage.

**39(b).**

If the Company has made loans to or is doing business with any of its Officers, Directors, or key personnel or 10% stockholders, or any of their relatives (or any entity controlled directly or indirectly by any such persons) within the last two years, or proposes to do so within the future, explain. (This includes sales or lease of goods, property or services to or from the Company, employment or stock purchase contracts, etc.) State the principal terms of any significant loans, agreements, leases, financing or other arrangements.

On January 1, 2001, the Reconstruction Data Group, Inc. issued 150,000 shares of its no par value common stock to the sole proprietor of ARC in exchange for all of the assets, rights, and interests of ARC, including its web domain. While the web domain has generated revenues and profits in the past, the recorded value of the web domain exceeded its estimated fair value based on similar web sites. Accordingly, during the four months ended April 30, 2001, Reconstruction Data Group, Inc. adjusted the carrying value of the web domain to its estimated fair value of approximately \$30,000, resulting in a non-cash impairment loss of \$120,212 (\$.39 per share). (See note "F" on page F-12)

Reconstruction Data Group, Inc. has not, nor proposes to do so in the future, made loans to any of its officers, directors, key personnel, 10% stockholders, relatives thereof, or controllable entities.

**39(c).**

If any of the Company's Officers, Directors, key personnel or 10% stockholders has guaranteed or co-signed any of the Company's bank debt or other obligation, including any indebtedness to be retired from the proceeds of this offering, explain and state the amounts involved.

None of Reconstruction Data Group, Inc. officers, directors, key personnel, or 10% stockholders has guaranteed or co-signed any bank debt, obligation, or any other indebtedness pertaining to Reconstruction Data Group, Inc.

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**40.****(a).**

List all remuneration by the Company to Officers, Directors and key personnel for the last fiscal year:

	<b>Cash</b>	<b>Other</b>
Scott Baker Chief Executive Officer	\$ 0	\$ 0
Clifford Smith Chief Financial Officer	\$ 0	\$100,000

Effective June 24, 2001, Mr. Scott Baker became a full time employee of Reconstruction Data Group at a salary of \$6,000 per month.

On September 29, 2000, the Board of Directors approved the issuance of 100,000 shares of Reconstruction Data Group's no par value restricted common stock to Clifford Smith, Chief Financial Officer, in exchange for services related to the organization of Reconstruction Data Group, Inc. The Board valued the transaction at \$1.00 per share based on a contemporaneous private stock offering.

**(b).**

If remuneration is expected to change or has been unpaid in prior years, explain.

No change is currently planned by Reconstruction Data Group, Inc. pertaining to remuneration.

**(c).**

If any employment agreements exist or are contemplated, describe:

Effective June 24, 2001, Mr. Scott Baker became a full time employee of Reconstruction Data Group at a salary of \$6,000 per month. No other employment agreements currently exist or are contemplated.

There are no annuity, pension or retirement benefits proposed to be paid to officers, directors, or employees of Reconstruction Data Group, Inc. in the event of retirement at normal retirement date pursuant to any existing plan provided by Reconstruction Data Group, Inc.

**41(a).**

Number of shares subject to issuance under presently outstanding stock purchase agreements, stock options, warrants or rights: 0 shares. (0 % of total shares to be outstanding after completion of the offering if all securities sold, assuming exercise of options and conversion of convertible securities). Indicate which have been approved by shareholders.

State expiration dates, exercise prices, and other basic terms for these securities: None.

**41(b).**

Number of common shares subject to issuance under existing stock purchase or option plans but not yet covered by outstanding purchase agreements, options or warrants: 0 shares.

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**41(c).**

Describe the extent to which future stock purchase agreements, stock options, warrants or rights must be approved by shareholders.

Common stock may be issued from time to time without action by the stockholders. The common stock may be issued for such consideration as may be fixed from time to time by the Board of Directors. The Board of Directors may issue such shares of common stock in one or more series, with such voting powers, designations, preferences, rights and qualifications, limitations and restrictions thereof as shall be stated by the Board of Directors in resolution or resolutions adopted by them and authorized by the Articles of Incorporation and bylaws of Reconstruction Data Group, Inc. Holders of the common stock of the corporation shall not have any preference, preemptive right, or right of subscription to acquire any shares of the corporation, nor to any right of subscription thereto, other to the extent, if any, the Board of Directors may determine from time to time. Stockholders shall have no approval, preferences, or rights as to the issuance of other securities, such as stock options or warrants; except to the extent such approval, preferences, or rights may be stated by the Board of Directors in resolution or resolutions adopted by them and authorized by the Articles of Incorporation and bylaws of Reconstruction Data Group, Inc.

**42.**

If the business is highly dependent on the services of certain key personnel, describe any arrangements to assure that these persons will remain with the Company and not compete upon termination.

No specific arrangements with any personnel have been made, or are presently contemplated.

Note: After reviewing the above, potential investors should consider whether or not the compensation to management and other key personnel directly or indirectly, is reasonable in view of the present stage of the company's development.

## **LITIGATION**

**43.**

Describe any past, pending or threatened litigation or administrative action which has had or may have a material effect upon the Company's business, financial condition, or operations, including any litigation or action involving the Company's Officers, Directors, or other key personnel. State the name of the principal parties, the nature and current status of the matters, and amounts involved. Give an evaluation by management or counsel, to the extent feasible, of the merits of the proceedings or litigation and the potential impact on the Company's business, financial condition, or operations.

The officers and directors of Reconstruction Data Group, Inc. are aware of no past, pending or threatened litigation or administrative action which would have any material effect upon Reconstruction Data Group, Inc.'s business, financial condition, or operations, including any such litigation or action involving Reconstruction Data Group, Inc.'s officers, directors, or other key personnel.

## **FEDERAL TAX ASPECTS**

### **44.**

If the Company is an S corporation under the Internal Revenue Code of 1986, and it is anticipated that any significant tax benefits will be available to investors in this offering, indicate the nature and amount of such anticipated tax benefits and the material risks of their disallowance. Also, state the name, address and telephone number of any tax advisor that has passed upon these tax benefits. Attach any opinion or description of the tax consequences of an investment in the securities by the tax advisor.

Reconstruction Data Group, Inc. is not an S corporation under the Internal Revenue Code of 1986; Question 44 is not applicable.

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## **MISCELLANEOUS FACTORS**

### **45.**

Describe any other material factors, either adverse or favorable, that will or could affect the Company or its business (for example, discuss any defaults under major contracts, any breach of bylaw provisions, etc.) or which are necessary to make any other information in this registration statement not misleading or incomplete.

Reconstruction Data Group, Inc. is not aware of any additional or miscellaneous factors, either adverse or favorable, which are necessary to clarify, make complete or not misleading, any information that has been provided.

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## **FINANCIAL STATEMENTS**

### **46.**

Financial statements

Index to Financial Statements

### **Reconstruction Data Group, Inc.**

(formerly, Rocker & Spike Entertainment, Inc.)

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### **ARC Network**

(a sole proprietorship)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders  
Reconstruction Data Group, Inc.

We have audited the accompanying balance sheets of Reconstruction Data Group, Inc. (formerly Rucker & Spike Entertainment, Inc.) (a development stage company) as of September 30, 2001 and December 31, 2000, and the related statements of operations, shareholders' equity and cash flows for the nine months ended September 30, 2001, for the period from September 27, 2000 (inception) through December 31, 2000, and for the period from September 27, 2000 (inception) through September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reconstruction Data Group, Inc. (formerly Rucker & Spike Entertainment, Inc.) as of September 30, 2001 and December 31, 2000, and the results of its operations and its cash flows for the nine months ended September 30, 2001, for the period from September 27, 2000 (inception) through December 31, 2000, and for the period from September 27, 2000 (inception) through September 30, 2001, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note A to the financial statements, the Company has experienced operating losses since inception, which raises a substantial doubt about its ability to continue as a going concern. Management's plans in regard to those matters are also described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Effective January 1, 2001, Reconstruction Data Group, Inc. acquired ARC Network ("ARC"), a sole proprietorship. Pro forma financial information provided in Note G, giving effect to the Company's acquisition of ARC, is on an unaudited basis.

Cordovano and Harvey, P.C.  
Denver, Colorado  
December 4, 2001

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**RECONSTRUCTION DATA GROUP, INC.**  
**(formerly Rucker & Spike Entertainment,**  
**Inc.)**  
(A Development Stage Company)

**Balance Sheets**

September 30, 2001

December  
31,2000**Assets**

## Current assets:

Cash	\$	35,221	\$ 41,914
Accounts receivable		986	-
Prepaid expenses	1,312		-
Total current assets		37,519	41,914

Furniture, equipment and web site development costs,  
net of

accumulated depreciation and amortization (Note C)		34,618	-
Deferred operating costs (Note E)	29,325		-
	\$ 101,462		\$ 41,914

**Liabilities and shareholders' equity**

## Current liabilities:

Accounts payable and accrued liabilities	\$	21,568	\$ 4,000
Notes payable (Note D)		55,000	-
Accrued interest expense (Note D)		1,213	-
Unearned membership income	4,972		-
Total current liabilities	82,753		4,000

## Commitment (Note H)

- -

## Shareholders' equity (Note E):

Common stock, no par value, 50,000,000 shares  
authorized;311,000 and 161,000 issued and outstanding,  
respectively

301,000 151,000

Additional paid-in capital

1,400 600

Deficit accumulated during the development stage (283,691)

(113,686)

Total shareholders' equity

18,709

37,914

\$ 101,462

\$ 41,914

See accompanying notes to financial statements.

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**RECONSTRUCTION DATA GROUP, INC.**  
**(formerly Rocker & Spike Entertainment, Inc.)**  
 (A Development Stage Company)

**Statements of Operations**

	Nine Months Ended September 30, 2001	September 27, 2000 (Inception) Through December 31, 2000	September 27,2000 (Inception) Through September 30, 2001
Revenue:			
Memberships	\$ 9,243	\$ -	\$ 9,243
Advertising income	1,015	-	1,015
Consulting services	1,575	-	1,575
Other income	1,156	-	1,156
Total revenue	12,989	-	12,989
Operating expenses:			
General and administrative:			
Stock-based compensation (Note B)	-	100,000	100,000
Other	-	3,086	3,096
Compensation	23,000	10,000	33,000
Contributed services (Note B)	17,767	-	17,767
Rent	5,252	-	5,252
Contributed rent (Note B)	800	600	1,400
Professional services and consulting	17,783	-	17,783
Depreciation and amortization (Note C)	8,844	-	8,884
Asset impairment charge (Note G)	102,445	-	102,445
Other general administrative costs	5,890	-	5,890
	181,781	113,686	295,467
Operating loss	(168,792)	(113,686)	(282,478)
Interest expense (Note D)	(1,213)	-	(1,213)
	(170,005)	(113,686)	(283,691)
Provision for income taxes (Note F)	-	-	-
Net loss	\$ (70,005)	\$ (113,686)	\$ (283,691)
Basic and diluted loss per common share	\$ (0.55)	\$ (0.87)	
Basic and diluted weighted average common shares outstanding	311,000	130,500	

See accompanying notes to financial statements.

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**RECONSTRUCTION DATA GROUP, INC.**  
**(formerly Rocker & Spike Entertainment, Inc.)**

(A Development Stage Company)

**Statement of Shareholders' Equity**

September 27, 2000 (Inception) through September 30, 2001

Deficit  
Accumulated

	Common Stock Shares	Amount	Paid-In Capital	During the Development Stage	Total
<b>Balance, September 27, 2000</b> (inception)	-	\$ -	\$ -	\$ -	\$ -
September 29, 2000, common stock issued to an officer for services related to organizing the Company, \$1.00 per share (Note B)	100,000	100,000	-	-	100,000
November 15, 2000, sale of common stock through a private offering, \$1.00 per share, less offering costs of \$10,000 (Note E)	61,000	51,000	-	-	51,000
Office space contributed by Company's president (Note B)	-	-	600	-	600
Net loss for the period ended December 31, 2000	-	-	-	(113,686)	(113,686)
<b>Balance, December 31, 2000</b>	161,000	151,000	600	(113,686)	37,914
January 1, 2001, common stock issued to acquire ARC Network, \$1.00 per share (Notes G)	150,000	150,000	-	-	150,000
Office space contributed by Company's president (Note B)	-	-	800	-	800
Net loss for the nine months ended September 30, 2001	-	-	-	(170,005)	(170,005)
<b>Balance September 30, 2001</b>	311,000	\$ 301,000	\$ 1,400	\$ (283,691)	\$ 18,709

See accompanying notes to financial statements.

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**RECONSTRUCTION DATA GROUP, INC.**  
**(formerly Rocker & Spike Entertainment, Inc.)**  
(A Development Stage Company)

**Statements of Cash Flows**

	Nine Months Ended September 30, 2001	September 27, 2000 (Inception) Through December 31, 2000	September 27,2000 (Inception) Through September 30, 2001
Cash flows from operating activities:			
Net loss	\$ (170,005)	\$ (113,686)	\$ (283,691)
Transaction not requiring cash:			
Depreciation and amortization	8,844	-	8,844

Office space contributed by the Company's president (Note B)	800	600	1,400
Services contributed by officers (Note B)	17,767	-	17,767
Asset impairment charge (Note G)	102,445	-	102,445
Common stock issued to an officer in exchange for services related to organizing the Company	-	100,000	100,000
Changes in current assets and current liabilities:			
Increase in receivables and prepaid expenses	(2,298)	-	(2,298)
Increase in accounts payable, accrued liabilities	23,753	4,000	27,753
Net cash used by operating activities	(18,694)	(9,086)	(27,780)
Cash flows from investing activities:			
Purchases of furniture and equipment	(13,674)	-	(13,674)
Net cash provided by investing activities	(13,674)	-	(13,674)
Cash flows from financing activities:			
Proceeds from sale of common stock, net	-	51,000	51,000
Payments for deferred operating costs	(29,325)	-	(29,325)
Proceeds from issuance of debt	55,000	-	55,000
Net cash provided by financing activities	25,675	51,000	76,675
Net change in cash	(6,693)	41,914	35,221
Cash, beginning of period	41,914	-	-
Cash, end of period	\$ 35,221	\$ 41,914	\$ 35,221
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -
Non-cash investing and financing transactions:			
Acquisition of ARC Network (Note G)	\$ 150,000	\$ -	\$ 150,000

See accompanying notes to financial statements.

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**RECONSTRUCTION DATA GROUP, INC.**  
**(Formerly Rocker & Spike Entertainment, Inc.)**  
(A Development Stage Company)

**Notes to Financial Statements**

**Note A: Organization and business and summary of significant accounting policies**

***Organization and business***

Reconstruction Data Group, Inc. (the "Company") was incorporated in the state of California on September 27, 2000 as Rocker & Spike Entertainment, Inc. Up to December 31, 2000, the Company's operations consisted of organizational matters, the sale of its no par value common stock, and the search for an operating company with which to perform a merger or acquisition. Following the asset purchase from ARC Network ("ARC"), a sole proprietorship, the Company intends to continue to provide resources to the accident reconstruction industry via its Internet web domain.

Effective January 1, 2001, the Company purchased the assets and web domain of ARC, from the sole proprietor in exchange for 150,000 shares of the Company's no par value common stock (see Note G). The Company and the sole proprietor were unrelated prior to the acquisition. Following the acquisition, the Company changed its name from Rocker & Spike Entertainment, Inc. to Reconstruction Data Group, Inc.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, the Company has limited capital resources as of September 30, 2001, and had incurred operating losses totaling \$283,691 since inception. These factors, among others, may indicate that the Company will be unable to continue as a going concern for reasonable period of time.

The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis and ultimately to attain profitability. The Company's management anticipates using operating revenues, conducting debt financings, and/or conducting additional equity offerings during 2001 to help fund the Company's operations (see Note E). There is no assurance that the Company will be successful in its efforts to raise additional proceeds or attain profitability. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Summary of significant accounting policies:**

**Use of estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company's web domain and the related amortization charges are material estimates in the accompanying financial statements. It is reasonably possible that estimates of the web domain's carrying value could change in the near term, and that change could be material to the financial statements.

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**RECONSTRUCTION DATA GROUP, INC.**  
**(Formerly Rocker & Spike Entertainment, Inc.)**  
(A Development Stage Company)

**Notes to Financial Statements**

**Development stage company**

The Company is in the development stage in accordance with Financial Accounting Standards Board Statements of Financial Accounting Standards (SFAS) No. 7 "Accounting and Reporting by Development Stage Enterprises".

**Cash and cash equivalents**

The Company considers all short-term, highly liquid investments with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value. The Company had no cash equivalents at September 30, 2001 or December 31, 2000.

**Equipment and depreciation**

Equipment is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which is estimated to be five years. Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

**Web domain development costs and amortization**

The Company capitalizes internal and external costs incurred to develop internal-use computer software during the application development stage in accordance with Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use".

In addition, the Company adopted the Emerging Issues Task Force Issue No. 00-2 ("EITF 00-2"), "Accounting for Web Site Development Costs," during the year ended December 31, 2000. EITF 00-2 requires the implementation of SOP 98-1 when software is used by a vendor in providing a service to a customer but the customer does not acquire the software or the right to use it.

Capitalized web-site development costs are amortized over an estimated life of three years commencing on the date the software is ready for its intended use. Amortization of the web-site development costs commenced on January 1, 2001. Amortization expense totaled \$7,500, \$0-, and \$7,500 for the nine months ended September 30, 2001, the period from September 27, 2000 (inception) through December 31, 2000, and from September 27, 2000 (inception) through September 30, 2001 (see Note C).

### **Loss per share**

The Company reports loss per share using a dual presentation of basic and diluted loss per share. Basic loss per share excludes the impact of common stock equivalents. Diluted loss per share utilizes the average market price per share when applying the treasury stock method in determining common stock equivalents. At September 30, 2001 and December 31, 2000, there were no variances between the basic and diluted loss per share as there were no potentially dilutive securities outstanding.

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## **RECONSTRUCTION DATA GROUP, INC.**

**(Formerly Rocker & Spike Entertainment, Inc.)**

(A Development Stage Company)

### **Notes to Financial Statements**

#### **Impairment of long-lived assets and certain identifiable intangibles**

The Company evaluates the carrying value of its long-lived assets under the provisions of Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* (SFAS 121). SFAS 121 requires impairment losses to be recorded on long-lived assets used in operations, including goodwill, when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. In addition, the recoverability of goodwill is further evaluated under provisions of APB Opinion No. 17, *Intangible Assets*, based upon estimated fair value. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed fair value of the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value, less costs to sell.

#### **Revenue recognition**

The Company's revenues are reported in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition." The Company recognizes revenue only after its services has been performed and collectibility of its fee is reasonably assured.

The Company recognizes membership fees ratably over the period of the membership. Fees received in advance are reflected as unearned income in the accompanying financial statements.

The Company recognizes advertising income after its service has been performed and collectibility of its fee is reasonably assured. The Company did not recognize any revenues or expenses in connection with advertising barter transaction for the periods presented.

#### **Income taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the recorded book basis and tax basis of assets

and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future federal income taxes.

### Fair value of financial instruments

SFAS 107, "Disclosure About Fair Value of Financial Instruments," requires certain disclosures regarding the fair value of financial instruments. The Company has determined, based on available market information and appropriate valuation methodologies, the fair value of its financial instruments approximates carrying value. The carrying amounts of cash, receivables and current liabilities approximate fair value due to the short-term maturity of the instruments.

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## RECONSTRUCTION DATA GROUP, INC.

(Formerly Rocker & Spike Entertainment, Inc.)

(A Development Stage Company)

### Notes to Financial Statements

#### Note B: Related party transactions

The President provided office space to the Company at no charge for all periods presented. From September 27, 2000 (inception) through April 30, 2001, office space was valued at \$200 per month. The contributed office space is included in the accompanying financial statements as rent expense with a corresponding credit to additional paid-in capital. The Company entered into an operating lease for office space in Mat 2001 (see Note G).

Certain officers of the Company provided services such as administration, accounting and management, at no charge. The value of those services is included in the accompanying financial statements as contributed services. The Company recognized contributed services totaling \$17,767 and \$-0- and \$17,767, respectively, for the nine months ended September 30, 2001, from September 27, 2000 (inception) through December 31, 2000, and from September 30, 2000 (inception) through September 30, 2001.

On September 29, 2000, the Board of Directors approved the issuance of 100,000 shares of the Company's no par value restricted common stock to an officer/director of the Company in exchange for services related to the organization of the Company. The value of the services could not be objectively measured as the services were rendered by a related party. The Board of Directors considered contemporaneous equity transactions and other analysis to determine the fair value of the common stock issued. The Board valued the transaction at \$1.00 per share based on a contemporaneous private stock offering. The Company has recognized \$100,000 of stock-based compensation expense in the accompanying financial statements. These shares are "restricted securities" and may be sold only in compliance with Rule 144 of the Securities Act of 1933, as amended.

#### Note C: Furniture, equipment and web domain

Furniture, equipment and web domain consisted of the following at September 30, 2001 and December 31, 2000:

	September 30, 2001	December 31, 2000
Computer equipment and software	\$ 11,723	\$ -
Web domain	30,000	-
Office furniture and equipment	1,520	-
Trade show equipment	219	-
	43,462	-
Less: accumulated depreciation and amortization	(8,844)	-
	\$ 34,618	\$ -

The Company's web domain and equipment were acquired in the ARC purchase on January 1, 2001.

**RECONSTRUCTION DATA GROUP, INC.**  
**(Formerly Rocker & Spike Entertainment, Inc.)**  
(A Development Stage Company)

**Notes to Financial Statements**

**Note D. Notes payable**

Notes payable consisted of the following promissory notes:

	September 30, 2001	December 31, 2000
Note payable to an individual, interest at 12 percent, principal and interest due on December 19, 2001, unsecured	\$ 30,000	\$ -
Note payable to an individual, interest at 12 percent, principal and interest due on September 5, 2002, unsecured	25,000	-
	\$ 55,000	\$ -

**Note E: Shareholders' equity**

During October and November of 2000, the Company offered for sale 61,000 shares of its no par value common stock at \$1.00 per share pursuant to an exemption from registration under Regulation D of the Securities Act of 1933, as amended. The Company conducted the private offering through its executive officers and directors and sold all 61,000 shares for net proceeds of \$51,000 after deducting offering costs of \$10,000.

During 2001, the Company filed a registration statement with the SEC on Form SB-1. Once declared effective by the Securities and Exchange Commission ("SEC"), the Company will offer for sale 400,000 shares of its no par value common stock at \$1.00 per share. The Company is conducting the offering through its executive officers and directors. Legal, accounting, and filing costs incurred in connection with the offering have been deferred until the offering is completed.

**Note F: Income taxes**

A reconciliation of the U.S. statutory federal income tax rate to the effective tax rate follows:

	For The Nine Months Ended September 30, 2001	September 27, 2000 (Inception) Through December 31, 2000
U.S. statutory federal rate	26.87%	22.75%
State income tax rate, net of federal benefit	6.46%	6.83%
Permanent differences	-3.64%	-0.16%
Net operating loss for which no tax benefit is currently available	-29.69%	-29.42%
	0.00%	0.00%

At September 30, 2001, deferred taxes consisted of a net tax asset of \$83,929, due to operating loss carryforwards of \$283,691, which was fully allowed for, in the valuation allowance of \$83,929. The valuation allowance offsets the net deferred tax asset for which there is no assurance of recovery. The change in the valuation allowance for the nine months ended September 30, 2001 and from September 27, 2000 (inception) through December 31, 2000 totaled \$50,477 and \$33,452, respectively. The net operating loss carryforward expires through the year 2021.

**Notes to Financial Statements**

The valuation allowance will be evaluated at the end of each year, considering positive and negative evidence about whether the deferred tax asset will be realized. At that time, the allowance will either be increased or reduced; reduction could result in the complete elimination of the allowance if positive evidence indicates that the value of the deferred tax assets is no longer impaired and the allowance is no longer required.

Should the Company undergo an ownership change as defined in Section 382 of the Internal Revenue Code, the Company's tax net operating loss carryforwards generated prior to the ownership change will be subject to an annual limitation which could reduce or defer the utilization of these losses.

**Note G: Acquisitions**

On January 1, 2001, the Company issued 150,000 shares of its no par value common stock to the sole proprietor of ARC in exchange for all of the assets, rights, and interests of ARC, including its web domain. The book value of ARC's net assets as of the date of the acquisition totaled \$21,311. The Board of Directors considered contemporaneous equity transactions and other analysis to determine the fair value of the transaction based on the common stock issued. The Board valued the transaction at \$1.00 per share (\$150,000) based on a contemporaneous private stock offering. Substantially all of the purchase price was allocated to the web domain and no goodwill was recognized. Subsequently, due to an economic downturn in the Internet industry, the Company evaluated the recoverability of the web domain in accordance with SFAS 121. While the web domain has generated revenues and profits in the past, the recorded value of the web domain exceeded its estimated fair value based on similar web sites. Accordingly, during the nine months ended September 30, 2001, the Company adjusted the carrying value of the web domain to its estimated fair value of approximately \$30,000, resulting in a non-cash impairment loss of \$102,445 (\$.33 per share). The estimated fair value was based on the market value of similar web sites at the time of the write-down.

The Company has recorded the transaction as a purchase in accordance with Accounting Principles Board Opinion No. 16. The accompanying financial statements include the results of operations for of ARC from the date of the purchase, January 1, 2001, through September 30, 2001.

The following unaudited pro forma condensed statements of operations gives effect to the acquisition of ARC as if it had occurred at the beginning of the periods presented. The unaudited pro forma financial information should be read in conjunction with the separate audited financial statements and notes thereto of each of the companies included in the pro forma.

The unaudited pro forma condensed statements of operations are not necessarily indicative of results of operations had the acquisition occurred at the beginning of the periods presented nor of results to be expected in the future.

**PRO FORMA CONDENSED STATEMENT OF OPERATION**  
For the Year Ended December 31, 2000

	Reconstruction Data Group	ARC	Adjustments	Pro Forma
Sales	\$ -	\$ 10,549	\$ -	\$ 10,549
Operating expenses	\$ 123,686	\$ 9,217	\$ 10,000	\$ 142,903
Net income (loss)	\$ (123,686)	\$ 1,332	\$ (10,000)	\$ (132,354)
Net loss per share - basic and diluted	\$ (0.95)	\$ 0.01		\$ (0.72)
Basic and diluted common shares outstanding	130,500	150,000		182,625

## Notes to Financial Statements

### Pro forma adjustments

The financial information of Reconstruction Data Group, Inc. presented in the pro forma statement includes the results of operations for Reconstruction Data Group, Inc. for the period from September 27, 2000 (inception) through December 31, 2000. The financial information of ARC presented in the pro forma statement includes the results of operations for ARC for the year ended December 31, 2000. A pro forma adjustment was recorded to recognize amortization expense on the web domain for the year ended December 31, 2000.

The unaudited pro forma condensed financial information do not show any adjustments for a change in the income tax benefit as the total pro forma benefit for income taxes would be offset by any valuation allowance due to any deferred tax asset derived from net operating losses. The valuation allowance offsets the net deferred tax asset for which there is no assurance of recovery.

### Note H: Commitment

The Company entered into an operating lease for office space in San Diego, California in May 2001. The lease commenced June 1, 2001 and expires May 31, 2002. Future minimum lease payments under the office lease for the years ended December 31 are as follows:

Office lease		
2001	\$	9,191
2002		6,565
		\$ 15,756

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## INDEPENDENT AUDITORS' REPORT

To the Proprietor  
ARC Network

We have audited the balance sheet of ARC Network (a sole proprietorship) as of December 31, 2000 and the related statements of income and proprietor's capital and cash flows for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Proprietorship's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARC Network as of December 31, 2000, and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999, in conformity with accounting principles generally accepted in the United States.

Cordovano and Harvey, P.C.  
Denver, Colorado  
May 4, 2001

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**ARC NETWORK****Balance Sheet**

December 31, 2000

**Assets**

## Current assets:

Cash		\$ 2,792
	Total current assets	2,792

Equipment and web site development costs, net of accumulated depreciation and amortization (Note C)		2,054
		3,756

\$ 8,602

**Liabilities and Proprietor's Capital**

## Current liabilities:

Accounts payable and accrued liabilities		\$ 227
Unearned membership income		4,831
	Total current liabilities	5,058

Proprietor's capital		3,544
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\$ 8,602

See accompanying notes to financial statements.

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**ARC NETWORK****Statements of Operations and Proprietor's Capital**

	For The Years Ended	
	December 31, 2000	December 31, 1999
Revenue:		
Memberships	\$ 6,995	\$ 838
Advertising income	2,558	400
Other income	996	242
Total revenue	10,549	1,480
Operating expenses:		
Contributed services (Note B)	63,800	33,800
Selling, general and administrative	8,436	2,973
Amortization and depreciation (Note C)	5,914	5,684

Total operating expenses	78,150	42,457
Net income (loss)	(67,601)	(40,977)
Proprietor's capital, beginning of year	7,845	15,022
Contributed services (Note B)	63,300	33,800
Withdrawals	-	-
Proprietor's capital, end of year	\$ 3,544	\$ 7,845

See accompanying notes to financial statements.

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## ARC NETWORK

### Statements of Cash Flows

	For The Years Ended	
	December 31, 2000	December 31, 1999
Cash flows from operating activities:		
Net loss	\$ (67,601)	\$ (40,977)
Transactions not requiring cash:		
Contributed services (Note C)	63,300	33,800
Depreciation and amortization	5,914	5,684
Changes in current assets and current liabilities:		
Increase in accounts payable, accrued liabilities and unearned revenue	2,087	2,971
Net cash (used in) provided by operating activities	3,700	1,478
Cash flows from investing activities:		
Equipment purchases	(1,911)	(475)
Net cash provided by (used in) financing activities	(1,911)	(475)
Net change in cash	1,789	1,003
Cash, beginning of year	1,003	-
Cash, end of year	\$ 2,792	\$ 1,003
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

See accompanying notes to financial statements.

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**Note A: Nature of organization and summary of significant accounting policies**

***Nature of organization***

ARC Network (Accident Reconstruction Communications Network) (the "Proprietorship") began as a sole proprietorship services business that was formed in 1998. The Proprietorship was created to provide a comprehensive Internet presence and web site for the accident reconstruction and traffic investigation industry. The Proprietorship's web site provides resources for accident reconstructionists, accident investigators, attorneys, insurance adjusters, engineers, police officers, government agencies and other groups included in the accident reconstruction industry.

The Proprietor developed and designed the web site and operated the web site through the Proprietorship. The Proprietor incurred development costs of \$16,900 relating to the web site, which were capitalized in accordance with generally accepted accounting principles. Additional costs of the web site, including planning, design, and maintenance, were expenses as incurred.

Effective January 1, 2001, the proprietor of the Proprietorship entered into a Purchase Agreement with Reconstruction Data Group, Inc. ("RDC"), whereby the proprietor received 150,000 shares of RDC's no par value common stock in exchange for all of the assets, rights, and interests of the Proprietorship, including the web domain. The sole proprietorship ceased on the date of the transaction.

***Summary of significant accounting policies***

**Use of estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash equivalents**

For the purposes of the statement of cash flows, the Proprietorship considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Proprietorship had no cash equivalents at December 31, 2000.

**Allowance for doubtful accounts**

The Proprietorship considers accounts receivable fully collectible; accordingly, no allowance for doubtful accounts is required.

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**ARC NETWORK**

**Notes to Financial Statements**

**Equipment and depreciation**

Equipment is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which is estimated to be five years. Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the consolidated statements of operations.

**Web domain development costs and amortization**

The Proprietorship capitalizes internal and external costs incurred to develop internal-use computer software during the application development stage in accordance with Statement of Position 98-1 ("SOP 98-1"), Accounting for the Costs of Computer Software Developed or Obtained for Internal Use".

In addition, the Proprietorship adopted the Emerging Issues Task Force Issue No. 00-2 ("EITF 00-2"), "Accounting for Web Site Development Costs," during the year ended December 31, 2000. EITF 00-2 requires the implementation of SOP 98-1 when software is used by a vendor in providing a service to a customer but the customer does not acquire the software or the right to use it.

Capitalized web-site development costs are amortized over an estimated life of three years commencing on the date the software is ready for its intended use. Amortization of the web-site development costs commenced on September 1, 1998. Amortization expense totaled \$5,633 and \$5,633 for the years ended December 31, 2000 and 1999.

### **Revenue recognition**

The Proprietorship's revenues are reported in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition." The Proprietorship recognizes revenue only after its service has been performed and collectibility of its fee is reasonably assured.

The Proprietorship recognizes membership fees ratably over the period of the membership. Fees received in advance are reflected as unearned income in the accompanying financial statements.

The Proprietorship recognizes advertising income after its service has been performed and collectibility of its fee is reasonably assured. The Proprietorship did not recognize any revenues or expenses in connection with advertising barter transactions for the periods presented.

### **Income taxes**

The proprietorship itself is not a taxpaying entity for the purposes of federal and state income taxes. Income taxes of the Proprietor are computed on the total income from all sources, accordingly, no provision for income taxes is made in these financial statements.

No pro forma disclosures are included in the accompanying financial statements as 1999 net losses would have offset the income recognized in 2000.

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## **ARC NETWORK**

### **Notes to Financial Statements**

#### **Fair value of financial instruments**

SFAS 107, "Disclosure About Fair Value of Financial Instruments," requires certain disclosures regarding the fair value of financial instruments. The carrying amounts of cash, accounts payable and other current liabilities approximate fair value due to the short-term maturity of the instruments.

#### **Note B: Related party transactions**

The Proprietor and an assistant provided services such as administration, accounting and management, at no charge. The value of those services was recognized in the accompanying financial statements through a charge to contributed services and a corresponding credit to Proprietor's capital. The Company recognized contributed services totaling \$63,800 and \$33,800, respectively, for the years ended December 31, 2000 and 1999.

#### **Note C: Equipment and web site development costs**

Equipment consisted of the following at December 31, 2000:

Computer equipment	\$ 1,540
Web domain	16,900
Office furniture and equipment	627
Trade show equipment	219
	19,286
Less: accumulated depreciation and amortization	(13,476)

Depreciation and amortization expense for the years ended December 31, 2000 and 1999 totaled \$5,914 and \$5,684, respectively.

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## **Reconstruction Data Group, Inc.**

### **MANAGEMENT'S DISCUSSION//ANALYSIS OF RELEVANT FACTORS**

#### **47.**

If the Company's financial statements show losses from operations, explain the causes underlying these losses and what steps the Company has taken or is taking to address these causes.

Reconstruction Data Group, Inc.'s losses from operations are the result of formation and organizational costs, salaries paid to officers and a write-down in assets related to the acquisition of the ARC Network. These formation and organizational and acquisition losses are considered non-recurring and, therefore, the implementation of specific steps to remedy these causes is not appropriate or necessary. The primary issue related to expected continued short term losses is the president's salary of 6,000 per month which began in July of 2001. Currently the revenues generated from the arc network operations are not sufficient to support this salary. The President has devoted full time attention to implementing the current business plan. The intent is to develop sufficient revenues to sustain this salary so full time attention can be maintained. If sufficient sales are not generated then the president will likely have to withdraw to part time status and forego the current salary. Reconstruction Data Group, Inc. may utilize up to a maximum of \$36,000 of the offering proceeds towards the president's salary.

Reconstruction Data Group, Inc. expects use of proceeds from this offering to help increase revenue from operations. Membership retention for the Arc Network has been high among the small following it currently enjoys. Should the offering fail to generate any proceeds the officers would likely have to continue operations on a part time basis without compensation in order to achieve a positive cash flow from operations. This would likely significantly retard the rate of growth of the operations and revenue.

#### **48.**

Describe any trends in the Company's historical operating results. Indicate changes now occurring in the underlying economics of the industry or the Company's business which, in the opinion of management, will have a significant impact (either favorable or adverse) upon the Company's results of operations within the next 12 months, and give a rough estimate of the probable extent of impact.

Reconstruction Data Group, Inc. is a development stage company with limited operations, negative cash flows, and operational losses to date. Reconstruction Data Group's management believes the implementation and success of its business plan will correct cash flow and operational losses. However, Reconstruction Data Group, Inc. has not been able to establish significant revenues to date and has no historical basis to assure sufficient revenues will be generated by the planned efforts. The management of Reconstruction Data Group, Inc. is aware of no significant changes in the underlying economics of the Accident Reconstruction industry, which will have an impact upon Reconstruction Data Group, Inc.'s operations within the next 12 months.

#### **49.**

If the Company sells a product or products and has had significant sales during its last fiscal year, state the existing gross margin (net sales less cost of such sales as presented in accordance with generally accepted accounting principles) as a percentage of sales for the last fiscal year: \_\_\_% What is anticipated gross margin for next year of operations? \_\_\_% If this is expected to change, explain. Also, if reasonably current gross margin figures are available for the industry, indicate these figures and the source or sources from which they are obtained.

Reconstruction Data Group, Inc. sells services and not products, and has not had significant sales during the past fiscal year. Management believes Reconstruction Data Group, Inc.'s sales and services will be competitive within the industry, yet is not aware of margin figures currently available for the industry.

#### **50.**

Foreign sales as a percent of total sales for last fiscal year: \_\_\_\_%

Domestic government sales as a percent of total domestic sales for last fiscal year: \_\_\_\_% Explain the nature of these sales, including any anticipated changes:

Reconstruction Data Group, Inc. sells services and not products, and has had neither foreign nor domestic government sales during the last fiscal year.

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## **Reconstruction Data Group, Inc.**

### **SIGNIFICANT PARTIES**

	<b>Name</b>	<b>Business Address</b>	<b>Residential Address</b>
DIRECTORS	Scott B. Baker	11650 Iberia Place, Suite 201 San Diego, CA 92128	31648 Sandhill Lane Temecula, CA 92591
	Clifford Smith	11650 Iberia Place, Suite 201 San Diego, CA 92128	15969 Avenida Venusto Suite 1525 San Diego, CA 92127

### **RELATIONSHIP WITH ISSUER OF EXPERTS NAMED IN REGISTRATION STATEMENT**

Reconstruction Data Group, Inc. did not hire or cause to be hired any "expert" or "counsel" on a contingent basis, whereas such "expert" or "counsel" would receive a direct or indirect interest in Reconstruction Data Group, Inc.; or was a promoter, underwriter, voting trustee, director, officer, or employee of Reconstruction Data Group, Inc.

### **SELLING SECURITY HOLDERS**

No security holders of Reconstruction Data Group, Inc. is offering securities; nor has held any position, office, or material relationship within the past three years with Reconstruction Data Group, Inc., or any existing affiliate or predecessor.

### **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS**

Reconstruction Data Group, Inc. has never had nor anticipates having changes in or disagreements with accountants on matters of accounting or financial disclosure; nor has any principal accountant, currently or in past recent years, resigned or declined to stand for re-election or was dismissed.

### **DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES**

Every person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or a person of whom he is the legal representative is or was a director or officer of the corporation or is or was serving at the request of the corporation for its benefit as a director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless to the fullest extent legally permissible under the general corporation law of the State of California from time to time against all expenses, liability and loss (including attorney's fees, judgments, fines, and amounts paid or to be paid in settlement) reasonably incurred and in advance of the final disposition of the action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. Such right of indemnification shall be a contract right which may be enforced in any manner desired by such person; and shall not be exclusive of any other right which such directors, officers or representatives may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, vote of stockholders, provision of law or otherwise, as well as their rights under the Articles of Incorporation of Reconstruction Data Group, Inc.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

# Reconstruction Data Group, Inc.

Common Stock: 400,000 Shares

Until the 90th day after the later of (1) the effective date of the registration statement or (2) the first date on which the securities are offered publicly, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

End of Offering Prospectus

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## Reconstruction Data Group, Inc.

### PART II - INFORMATION NOT REQUIRED IN PROSPECTUS

TOPIC	Page #
INDEMNIFICATION OF DIRECTORS AND OFFICERS	65
OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION	65
UNDERTAKINGS	66
UNREGISTERED SECURITIES ISSUED OR SOLD WITHIN ONE YEAR	67
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DESCRIPTION OF EXHIBITS	68
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## Reconstruction Data Group, Inc.

### INDEMNIFICATION OF DIRECTORS AND OFFICERS

No director or officer of Reconstruction Data Group, Inc. will have personal liability to Reconstruction Data Group, or any stockholders for monetary damages for breach of fiduciary duty as a director or officer involving any act or omission of such director or officer, whereas specific provisions in the Articles of Incorporation limits such liability. Such provision shall not eliminate or limit the liability of a director or officer; (1) for any breach of duty of loyalty to Reconstruction Data Group, Inc. or its stockholders, (2) for acts of omission not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under applicable sections of the California Corporate Code, or any California State Law applicable, (4) or for any transaction from which an improper personal benefit was derived.

Reconstruction Data Group, Inc. will provide for indemnification of the directors, officers, and employees in most cases for any liability suffered by them or arising out of their activities as directors, officers, and employees; if they were not engaged in willful malfeasance in the performance of his or her duties; provided that in the event of a settlement the indemnification will apply only when the Board of Directors approves such settlement and reimbursement as being for the best interests of the corporation.

The directors and officers of Reconstruction Data Group, Inc. are accountable as fiduciary, which means they are required

## OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following sets forth an itemized list of all expenses of this Offering.

Expense	Amount	Percent*
Transfer Agent Fee	\$ 1,000.00	0.2%
Filing Fees	\$ 1,000.00	0.2 %
Printing Cost	\$ 1,500.00	0.3%
Legal Fees	\$25,000.00	6.3%
Accounting Fees	\$ 5,000.00	1.3%
	_____	_____
Total	\$ 33,500.00	8.3%

\*Percent - Indicates percentage of proceeds from offering used, assuming maximum subscriptions.

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## Reconstruction Data Group, Inc.

### UNDERTAKINGS

The undersigned registrant hereby undertakes to:

1.

File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

a.

Include any prospectus required by section 10(a)(3) of the Securities Act;

b.

Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and notwithstanding the foregoing, any increase or decrease in volume of securities offered, and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

c.

Include any additional or changed material information on the plan of distribution.

2.

For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

3.

File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

4.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

In the event that a claim for indemnification against liabilities (other than the payment by the small business issuer of expenses incurred or paid by a director, officer or controlling person of the small business issuer in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the small business issuer will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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## Reconstruction Data Group, Inc.

### UNREGISTERED SECURITIES ISSUED OR SOLD WITHIN ONE YEAR

As applicable; providing a statement pertaining to any unregistered securities issued or sold within a period of one year prior to this filing, identifying individuals, type of securities, price, etc.

On September 29, 2000, the Board of Directors approved the issuance of 100,000 shares of Reconstruction Data Group, Inc.'s no par value restricted common stock to an officer/director of Reconstruction Data Group, Inc. in exchange for services related to the organization of Reconstruction Data Group, Inc. All shares were issued as exempted transactions under Section 4(2) of the Securities Act of 1933 and are subject to Rule 144 of the Securities Act of 1933.

During October and November of 2000, Reconstruction Data Group, Inc. issued 61,000 shares of its no par value common stock at \$1.00 per share as exempted transactions under Regulation "D", Section 4(2) of the Securities Act of 1933, 4(6) of the Securities Act of 1933 and are subject to Rule 144 of the Securities Act of 1933, as amended. Reconstruction Data Group, Inc. conducted the private offering through its executive officers and directors and sold all 61,000 shares for proceeds of \$61,000.

Exemptions being non-exclusive the following factors are relevant:

Each purchaser was an *accredited investor* as defined by Rule 501 of regulation D of the Securities Act of 1933 ; An aggregate of only \$61,000 was received and no prior offerings were made by Reconstruction Data Group, Inc.; No commissions were paid.; No advertisements were made.; Each purchaser had adequate access to information pertaining to Reconstruction Data Group, Inc.; The securities are restricted pursuant to Rule 144

On January 1, 2001, Reconstruction Data Group, Inc. issued 150,000 shares of its no par value common stock to the sole proprietor of ARC in exchange for all of the assets, rights, and interests of ARC, including its web domain. The book value of ARC's net liabilities as of the date of the acquisition totaled \$212. Reconstruction Data Group, Inc. has recorded the transaction as a purchase in accordance with Accounting Principles Board Opinion No. 16..These shares were issued as an exempted transaction under Section 4(2) of the Securities Act of 1933 and are subject to Rule 144 of the Securities Act of 1933.

There are no other outstanding shares.

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## Reconstruction Data Group, Inc.

### INDEX TO EXHIBITS

	Exhibit Page #s	Document Page #s
(2) Charter and By-Laws		
(i) Charter, Articles of Incorporation	A1 - A2	70 - 71
(ii) By-Laws	B1 - B24	72 - 95
(3) Instruments defining the rights of security holders -	Incorporated by reference; see:	
	Exhibit 3(ii) - By-Laws, Articles 2, 6 ,7, and 8	



In accordance with the requirements of the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates stated.

(Signature) \S\ Scott B. Baker (Title) Chief Operating Officer (Date) December 14, 2001  
Scott B. Baker, Chief Operating Officer

(Signature) \S\ Clifford Smith (Title) Corporate Secretary (Date) December 14, 2001  
Clifford Smith, Corporate Secretary

TO: The Securities and Exchange Commission  
Washington, D.C. 20549

RE: Reconstruction Data Group, Inc.

**INDEPENDENT AUDITORS' CONSENT**

We consent to the use in this Registration Statement of Reconstruction Data Group, Inc. on Form SB-1, Amendment 2 of our report dated December 4, 2001 on the financial statements of Reconstruction Data Group, Inc., appearing in the prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

\S\ Cordovano and Harvey, P.C.

Cordovano and Harvey, P.C.

Denver, Colorado

December 11, 2001

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**STANDARD MULTI-TENANT OFFICE LEASE - GROSS**  
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. Basic Provisions ("Basic Provisions").
  - 1.1 Parties: This Lease ("Lease"), dated for reference purposes only JUNE 1, 2001 , is made between IBERIA, LLC., AS SUCCESSOR TO TOHYON PARTNERSHIP ("Lessor") and RECONSTRUCTION DATA GROUP, INC. ("Lessee"), (collectively the "Parties", or individually a "Party").
  - 1.2(a) Premises: That certain portion of the Project (as defined below), known as Suite Numbers(s) 201 , one floor(s), consisting of approximately 791 rentable square feet and approximately 750 , useable square feet("Premises"). The Premises are located at: 11650 Iberia Place ,in the City of San Diego , County of San Diego , State of California . with zip code 92128 . In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined In Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, the exterior walls, the area above the dropped ceilings, or the utility raceways of the building containing the Premises ("Building") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the 'Project.' The Project consists of approximately 13,523 rentable square feet. (See also Paragraph 2)
  - 1.2(b) Parking: \* \* \* \* \* Their pro-rata share of unreserved and n/a reserved vehicle parking spaces at a monthly cost of \$ n/a per unreserved space and \$ n/a per reserved space. (See Paragraph 2.6)
  - 1.3 Term: one (1) years and - 0 - months ("Original Term") commencing June 1, 2001 ("Commencement Date") and ending May 31, 2002 ("Expiation Date"). (See also Paragraph 3)
  - 1.4 Early Possession: June 1, 2001 ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)
  - 1.5 Base Rent: \$1,313.00 per month ("Base Rent)", payable on the 1st day of each month commencing June 1, 2001 . (See also Paragraph 4)  
 If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted.
  - 1.6 *DELETED*
  - 1.7 Base Rent and Other Monies Paid Upon Execution:
    - (a) Base Rent: \$1.313 .00 for the period June 2001 .
    - (b) Security Deposit: \$1,313.00 ("Security Deposit"). (See also Paragraph 5)
    - (c) Parking: \$n/a for the period n/a .
    - (d) Other: \$n/a for n/a .
    - (e) Total Due Upon Execution of this Lease: \$2,626.00 .
  - 1.8 Agreed use: general office . (See also Paragraph 6)
  - 1.9 Base Year; Insuring Party. The Base Year is n/a Lessor is the "Insuring Party". (See also Paragraphs 4.2 and 8)
  - 1.10 Real Estate Brokers: (See also Paragraph 15)
    - (a) Representation: The following real estate brokers ( the "Brokers") and brokerage relationships exist in this transaction (check applicable boxes):  
 n/a represents Lessor exclusively ("Lessor's Broker");  
 n/a represents Lessee exclusively ("Lessee's Broker"); or  
 n/a represents both Lessor and Lessee ("Dual Agency").
    - (b) Payment to Brokers: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of separate agreement or n/a % of the total Base Rent for the brokerage services rendered by the Brokers).

- 1.11 Guarantor. The obligations of the Lessee under this Lease shall be guaranteed by Scott Baker .  
("Guarantor"). (See also Paragraph 37)
- 1.12 *DELETED*
- 1.13 Lessor Supplied Services. Notwithstanding the provisions of Paragraph 11.1, Lessor is NOT obligated to provide the following:  
 Janitorial services  
 Electricity  
 Other (specify): .
- 1.14 Attachments. Attached hereto are the following, all of which constitute a part of this Lease:  
 an Addendum consisting of Paragraphs 51 through 54;  
 a plot plan depicting the Premises (Exhibit C);  
 a current set of the Rules and Regulations (Exhibit B);  
 a Work Letter; a Floor Plan (Exhibit A);

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## 2. Premises.

2.1 Letting. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement or size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less, Note: Lessee is advised to verify the actual size prior to executing this Lease.

2.2 Condition, Lessor shall deliver the Premises to Lessee In a clean condition on the Commencement Date or the Early Possession Date, whichever first occurs ("Start Date"), and warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), and all other items which the Lessor is obligated to construct pursuant to the Work Letter attached hereto, if any, other than those instructed by Lessee, shall be in good operating condition on said date.

2.3 Compliance, Lessor warrants that the improvements comprising the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof, was constructed, and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances ("Applicable Requirements") in effect on the Start Date. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee, NOTE: Lessee is responsible for determining whether or not the zoning and other Applicable Requirements are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same. if the Applicable requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises ("Capital Expenditure"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the premises by Lessee as compared with uses by tenants In general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months Base Rent, Lessee may instead terminate this lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent, If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital expenditure.

(b) if such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the cost of such Capital Expenditure as follows: Lessor shall advance the funds necessary for such Capital Expenditure but Lessee shall be obligated to pay, each month during the remainder of the term or this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying Lessee's share of the cost of such Capital Expenditure (the percentage specified

in paragraph 1.6 by a fraction, the numerator of which is one, and the denominator of which is 144 (i.e. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance of Lessee's share at a rate that is commercially reasonable in the judgment of Lessors accountants. Lessee may, however, repay its obligation at any time. Provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to nonvoluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 Acknowledgements. Lessee acknowledges that: (a) Lessee has been advised by Lessor and/or Brokers to satisfy itself with respect to condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessors sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 Lessee as Prior Owner/Occupant. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to Start Date, Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

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2.6 Parking. So long as Lessee is not in default, and subject to the Rules and Regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use the number of parking spaces specified in Paragraph 1.2(b) at the rental rate applicable from time to time for monthly parking as set by Lessor and/or its licensee.

(a) If Lessee commits, permits or allows any of the prohibited activities described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(b) DELETED

2.7 Common Areas -. Definition. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Premises that are provided and designated by the Lessor from time to time for the general nonexclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including, but not limited to, common entrances, lobbies, corridors, stairwells, public restrooms, elevators, parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 Common Areas - Lessee's Rights. Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the nonexclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor,

2.9 Common Areas - Rules and Regulations. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to adopt, modify, amend and enforce reasonable rules and regulations ("Rules and Regulations") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. The Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the noncompliance with said Rules and Regulations by other tenants of the Project,

2.10 Common Areas - Changes. Lessor shall have the right, in Lessor's sole discretion, from time to time:

- (a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;
- (b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;
- (c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;
- (d) To add additional buildings and improvements to the Common Areas;
- (e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes In, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

### 3. Term.

3.1 Term. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 Early Possession. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession, All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of the Operating Expense Increase) shall, however, be in effect during such period, Any such early possession shall not affect the Expiration Date.

3.3 Delay In Possession. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date, If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

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3.4 Compliance, Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5),. Pending delivery of such evidence, Lessee shall be required to perform all or its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied,

### 4. Rent.

4.1 Rent Defined, All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("Rent").

4.2 DELETED

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4.3 Payment. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States on or before the day on which it is due, without offset or deduction (except as specifically permitted in this Lease). Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessors endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of \$25 in addition to any Late Charge. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Operating Expense Increase, and any remaining amount to any other outstanding charges or costs.

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to

reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor y suffer or incur by reason thereof. If Lessor uses or applies all or any portion of The Security Deposit, Lessee shall within 10 days after written request therefor, deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during term of this Lease, Lessee shall, upon written request from Lessor, deposit additional moneys with Lessor so that the total amount of the Security Deposit sha11 at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the Initial Base Rent. Should the Agreed Use be ended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase Security Deposit to the extent necessary, in Lessors reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessors reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

## 6. Use.

6.1 Use. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties, Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements of the Building, will not adversely affect the mechanical, electrical, HVAC, and other systems of the Building, and/or will not affect the exterior appearance of the Building. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

## 6.2 Hazardous Substances,

(a) Reportable Uses Require Consent., The term "Hazardous Substance" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by Itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, byproducts or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use such as ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable

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Requirements, Is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, Including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) Duty to Inform Lessor. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall Immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) Lessee Remediation. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) Lessee Indemnification. Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) Lessor indemnification. Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of Investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) Investigations and Remediations. Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessors investigative and remedial responsibilities.

(g) Lessor Termination Option. If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessors desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment, In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance Thereof within the time provided, this Lease shall terminate as of the date specified in Lessors notice of termination.

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6-3 Lessee's Compliance with Applicable Requirements. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessors engineers and/or consultants which relate in any manner to the Premises, without regard whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of

any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 Inspection; Compliance. Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.le) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination

## 7. Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations,

7.1 Lessee's Obligations. Notwithstanding Lessors obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to causes beyond normal wear and tear. Lessee shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any improvements with the Premises. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder.

7.2 Lessor's Obligations. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, fire alarm and/or smoke detection systems, fire hydrants, and the Common Areas. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease,

### 7.3 Utility Installations: Trade Fixtures; Alterations.

(a) Definitions. The term "Utility Installations" refers to all floor and window coverings, air lines, vacuum tines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, and plumbing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) Consent, Lessee shall not make any Alterations or Utility Installations to the Premises without Lessors prior written consent. Lessee may however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof, deilings, floors or any existing walls, will not

affect the electrical, plumbing, HVAC, and/or life safety systems, and the

cumulative cost thereof during this Lease as extended does not exceed \$2000. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor, Any Alterations or Utility installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility installation and/or upon Lessee's posting an additional Security Deposit with Lessor,

(c) Liens; Bonds. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-

responsibility, If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys fees and costs,

#### 7.4 Ownership; Removal; Surrender; and Restoration.

(a) Ownership. Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of The Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) Removal, By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) Surrender; Restoration. Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions or Paragraph 26 below.

8. Insurance; Indemnity. NOTICE: Failure to obtain and maintain insurance per paragraph 8.2(a) results in default of Lease per Section 13.

8.1 Insurance Premiums. The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 are included as Operating Expenses (see paragraph 4.2 (c)(iv)). Said costs shall include increases in the premiums resulting from additional coverage related to requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. Said costs shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the Project was not insured for the entirety of the Base Year, then the base premium shall be the lowest annual premium reasonably obtainable for the required insurance as of the Start Date, assuming the most nominal use possible of the Building and/or Project. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of \$2,000,000 procured under Paragraph 8.2(b).

#### 8.2 Liability Insurance,

(a) Carried by Lessee. Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily Injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000, an "Additional Insured-Managers or Lessors of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and

not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) Carried by Lessor. Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

### 8.3 Property insurance -Building, Improvements and Rental Value,

(a) Building and Improvements. Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Building and/or Project. The amount of such insurance shall be equal to the full replacement cost of the Building and/or Project, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$1,000 per occurrence.

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(b) Rental Value. Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.

(c) Adjacent Premises. Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) Lessee's Improvements. Since Lessor is the insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

### 8.4 Lessee's Property; Business Interruption Insurance.

(a) Property Damage. Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures and Lessee Owned Alterations and Utility installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility installations. Lessee shall provide Lessor with written evidence that such insurance is In force,

(b) Business Interruption. Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) No Representation of Adequate Coverage. Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this lease.

8.5 Insurance Policies. Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies, Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor, Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall

be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by It, the other Party may, but shall not be required to, procure and maintain the same.

## 8.6 DELETED

8.7 Indemnity. Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessors master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee, if any action or proceeding is brought against Lessor by reason of any or the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified,

8.8 Exemption of Lessor from Liability. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person In or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

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## 9. Damage or Destruction.

### 9.1 Definitions.

(a) "Premises Partial Damage" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) "Premises Total Destruction" shall mean damage or destruction to the Improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "Insured Loss" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the Insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved,

(d) "Replacement Cost" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "Hazardous Substance Condition" shall mean the occurrence or discovery of a condition involving the presence of, or a Contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises which requires repair, remediation, or restoration.

9.2 Partial Damage - Insured Loss. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessors expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect: provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair or which is \$5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. in the event, however, such shortage was due to the fact that, by reason of the unique

nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefore. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some Insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 Partial Damage - Uninsured Loss. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage.

Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available, If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 Total Destruction. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 Damage Near End of Term. If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage giving a written termination notice to Lessee within 30 days after the date of Occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which

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such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessors commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue In full force and effect, If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 Abatement of Rent; Lessee's Remedies.

(a) Abatement. In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance, All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) Remedies. If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lesser and to any Lenders of which Lessee has

actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 Termination; Advance Payments. Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor. 9.8 Waive Statutes. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

## 10. Real Property Taxes.

10.1 Definitions. As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other Income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon,

10.2 Payment of Taxes. Except as otherwise provided in Paragraph 10.3, Lessor shall pay the Real Property Taxes applicable to the Project, and said payments shall be included in the calculation of Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 Additional Improvements. Operating Expenses shall not include Real Property Taxes specified in the tax assessors records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes. If assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request,

10.4 Joint Assessment. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive,

10.5. Personal Property Taxes. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

## 11. Utilities and Services.

11.1 Services Provided by Lessor. Lessor shall provide heating, ventilation, air conditioning, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use in connection with an office, and replacement light bulbs and/or fluorescent tubes and ballasts for standard overhead fixtures.

11.2 Exclusive to Lessee. Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If a service is deleted by Paragraph 1.13 and such service is not separately metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges for such jointly metered service.

### 11.3 DELETED

11.4 Excess Usage by Lessee. Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security and trash services, over standard office usage for the Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee, Lessor may, in its sole discretion, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

11.5 Interruptions. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

## 12. Assignment and Subletting.

### 12.1 Lessor's Consent Required,

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, 'assign or assignment') or subject all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

- (b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.
- (c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buyout or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "Net Worth of Lessee" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.
- (d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.
- (e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

### 12.2 Terms and Conditions Applicable to Assignment and Subletting.

- (a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

- (b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.
- (c) Lessors consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.
- (d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.
- (e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessors termination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the ended use and/or required modification of the Premises, if any. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)
- (f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of assignment or sublease to which Lessor has specifically consented to in writing.
- (g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

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12.3 Terms and Conditions Applicable to Subletting. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein.

- (a) Lessee hereby assigns and transfers to Lessor all of Lessee's Interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease: provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.
- (b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease: provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.
- (c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.
- (d) No sublessee shall further assign or sublet all or any part of the Premises without Lessors prior written consent.
- (e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

### 13. Default; Breach; Remedies.

13.1 Default; Breach. A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

- (a) The abandonment of the Premises: or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.
- (b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee.
- (c) the failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.
- (d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more <sup>th</sup> <sub>g</sub> <sup>n</sup> 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.
- (e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. s 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's Interest in this Lease, where such seizure is not discharged within 30 days: provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.
- (f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.
- (g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantors liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

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13.2 Remedies. If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashiers check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

- (a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided: and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease, The worth at the time of award of the amount referred to in provision (iii) of

the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent, Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessors interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 Inducement Recapture, Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions", shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision will be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of Rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 Late Charges. Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be

received by Lessor by the 5th of the month within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or \$100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's fault or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to contrary, Base Rent shall, at Lessors option, become due and payable quarterly in advance, Returned checks will result in a Twenty-five Dollar (\$25) assessment in addition to late charge. In the event three (3) checks are returned during the Lease term, Lessor reserves the right to require future payments be made in the form of a Cashier's Check, in the event rent is not received by the 7th day of the month, Lessor may exercise its right to serve a Pay Rent or Quit Notice, and assess additional rent of One Hundred Dollars (\$100) for the service of said notice.

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13.5 Interest, Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for nonscheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to nonscheduled payments, The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law.

Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 Breach by Lessor.

(a) Notice of Breach. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) Performance by Lessee on Behalf of Lessor. In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor, Lessee shall document the cost of said cure and supply said documentation to Lessor, 14. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "Condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs, if more than 10% of the rentable floor area of the Premises, or more than 25% of Lessee's Reserved Parking Spaces, if any, are taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of The Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

## 15. Brokerage Fees.

15.1 Additional Commission, in addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 Assumption of Obligations. Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessors obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 Representations and Indemnities of Broker Relationships. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

## 16. Estoppel Certificates.

(a) Each Party (as "Responding Party") shall within 10 days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "Estoppel Certificate" form published by the American Industrial Real Estate Association, plus such additional

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate, (c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years, All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth,

17. Definition of Lessor. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. Limitation on Liability. The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Project, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. No Prior or Other Agreements; Broker Disclaimer. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises.

Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees) of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease: provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. Notices.

23.1 Notice Requirements. All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 Date of Notice. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the

date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. Waivers. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection <sup>therewith, which such statements</sup> and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

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## 25. Disclosures Regarding the Nature of a Real Estate Agency Relationship.

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessors Agent. A Lessors agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty In dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lesser or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not, without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing, or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advise is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease: provided, however, that the foregoing limitation on each Brokers liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. No Right To Holdover. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of his Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located, Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. Subordination; Attornment; Non-Disturbance.

30.1 Subordination. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "Lender") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon its Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

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30.2 Attornment, In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the nondisturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereto or, at the election of such new owner, this Lease shall automatically become a new Lease between Lessee and such new owner, upon all of the terms and conditions hereof, for the remainder of the term hereof, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessors obligations hereunder, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership: (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 Non-Disturbance. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "Non-Disturbance Agreement") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 Self-Executing. The agreements contained. in this Paragraph 30 shall be effective without the execution of any further documents: provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. Attorneys' Fees. If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort,

contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision judgment. The term, "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any ordinary "For Sale" signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary "For Lease" signs. In addition, Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults and safes, and in the case of emergency to enter Premises by any reasonably appropriate means, and any such entry shall not be deemed a forcible or unlawful entry or detainer of the Premises or an eviction. Lessee waives any charges for damages or injuries or interference with Lessee's property or business in connection therewith.

33. Auctions. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessors prior written consent. Lessor all not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. Signs. Lessee shall not place any sign upon the Project without Lessors prior written consent,

35. Termination; Merger. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises: provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. Consents. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessors actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessors consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in

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writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. Guarantor.

37.1 Execution. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association;

37.2 Default. It shall constitute a Default of The Lessee if any Guarantor fails or refuses, upon request to provide; (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the

making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect,

38. Quiet Possession. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. Options. If Lessee is granted an Option, as defined below, then the following provisions shall apply.

39.1 Definition. "Option" shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor: (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor: (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 Options Personal To Original Lessee. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 Multiple Options. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless The prior Options have been validly exercised.

39.4 Effect of Default on Options.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option,

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. Security Measures. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties. In the event, however, that Lessor should elect to provide security services, then the cost thereof shall be an Operating Expense.

41. Reservations.

(a) Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessor may also: change the name, address or title of the Building or Project upon at least 90 days prior written notice: provide and install, at Lessee's expense, Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate; grant to any lessee the exclusive right to conduct any business as long as such exclusive right does not conflict with any rights expressly given herein: and to place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the Building or the Project or on pole signs in The Common Areas. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights. The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

(b) Lessor also reserves the right to move Lessee to other space of comparable size in the Building or Project. Lessor must provide at least 45 days prior written notice of such move, and the new space must contain improvements of comparable quality to those contained within the Premises. Lessor shall pay the reasonable out of pocket costs that Lessee incurs with regard to such relocation, including the expenses of moving and necessary stationary revision costs. In no event, however, shall Lessor be required to pay an amount in excess of two months Base Rent. Lessee may not be relocated more than

once during the term of this Lease.

(c) Lessee shall not: (i) use a representation (photographic or otherwise) of the Building or Project or their name(s) in connection with Lessee's business; or (ii) suffer or permit anyone, except in emergency, to go upon the roof of the Building.

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42. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. Authority.

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary hereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document. 44. Conflict. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. 45. Offer. Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto. 46. Amendments. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable nonmonetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises. 47. Multiple Parties. If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48.. Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

49. Mediation and Arbitration of Disputes. An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease [ ] is [X] is not attached to this Lease.

50. Americans with Disabilities Act. In the event that as a result of Lessee's use, or intended use, of the Premises, the Americans with Disabilities Act or any similar law requires modifications or the construction or installation of improvements in or to the Premises, Building, Project and/or Common Areas, the Parties agree that such modifications, construction or improvements shall be made at:

[  ] Lessors expense [ ] Lessee's expense.

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LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES,

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING AND SIZE OF THE PREMISES, THE STRUCTUIAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: San Diego, California

Executed at: San Diego, California

on:

on:

By LESSOR:

By LESSEE:

IBERIA, LLC. SUCCESSOR TO TOHYON  
PARTNERSHIP

RECONSTRUCTION DATA GROUP, INC.

Limited Partnership, Venture Partner

BY: PARKER-HAWK, a Calif. Corporation, General Partner

By:

By: \S\ Scott Baker

Name Printed: Jerry D. Swanger

Name Printed: Scott Baker

Title: Managing Partner

Title: President

By:

By: \S\ Clifford Smith

Name Printed: L. J. Cornick

Name Printed: Clifford Smith

Title: Managing Partner

Title: Secretary

Address: 11650 Iberia Place, #130

Address: 11650 Iberia Place, #201

San Diego, CA 92128

San Diego, CA 92128

858-695-1109 fax: 858-695-8608

858-618-1085

Telephone/Facsimile

Telephone/Facsimile

Federal ID No. 33-0977188

Federal ID No. 22-3755993

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ADDENDUM TO LEASE DATED JUNE 1, 2001, BY AND BETWEEN IBERIA LLC AS LESSOR AND RECONSTRUCTION DATA GROUP, INC. AS LESSEE FOR PROPERTY LOCATED AT 11650 IBERIA PLACE, SUITE 201, SAN DIEGO, CALIFORNIA 92128 IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.

51.

UTILITIES:

Lessee shall pay for all gas, heat, light, power, telephone including all services and taxes supplied to premises. If any such services are not separately metered to Lessee, Lessee shall pay a reasonable proportion to be determined by Lessor of all charges jointly metered with other premises.

52.

SIGNAGE:

Lessee shall not, without the written permission of Lessor, install any building, door, or window signage. Lessee shall be responsible for costs, governmental regulations and fees associated with signage. Lessor shall, when applicable, provide directory signage and sign blanks which are a part of the structure,.

53.

TENANT IMPROVEMENTS:

Lessee shall take premises "as is".

54.

#### JANITORIAL SERVICES:

Lessee is responsible for all services normally provided by a janitorial company.

\S\ Scott Baker

Lessee

Lessor

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#### RULES AND REGULATIONS FOR STANDARD OFFICE LEASE

Dated: June 1, 2001

By and Between IBERIA, LLC and RECONSTRUCTION DATA GROUP, INC.

#### GENERAL RULES

1. Lessee shall not suffer or permit the obstruction of any Common Areas, Including driveways, walkways and stairways.
2. Lessor reserves The right to refuse access to any persons Lessor in good faith judges to be a threat to the safely, reputation, or property of the Office Building Project and its occupants.
3. Lessee shall not make or permit any noise or odors that annoy or interfere with other lessees or persons having business within the Office Building Project.
4. Lessee shall not keep animals or birds within the Office Building Project, and shall not bring bicycles, motorcycles & other vehicles into areas not designated as authorized for same.
5. Lessee shall not make, suffer or permit litter except In appropriate receptacles for that purpose.
6. Lessee shall not alter any lock or install new or additional locks or bolts.
7. Lessee shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.
- B. Lessee shall not deface the walls, partitions or other surfaces of the Premises or Office Building Project.
9. Lessee shall not suffer or permit anything in or around the Premises or Building that causes excessive vibration or floor loading in any part of The Office Building Project.
10. Furniture, significant freight and equipment shall be moved into or out of the building only with the Lessors knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Lessor. Lessee shall be responsible for any damage to the Office Building Project arising from any such activity.
11. Lessee shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Lessor.
12. Lessor reserves the right to close and lock The Building on Saturdays, Sundays and legal holidays, and on other days between the hours of 8 P.M. and 7 A.M. of the following day. If Lessee uses the Premises during such periods, Lessee shall be responsible for securely locking any doors it may have opened for entry.
13. Lessee shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Lessee.

15. No Lessee, employee or invitee shall go upon the roof of the Building.
15. Lessee shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Lessor or by applicable governmental agencies as non-smoking areas.
17. Lessee shall not use any method of heating or air conditioning other than as provided by Lessor.
18. Lessee shall not install, maintain or operate any vending machines upon The Premises without Lessors written consent.
19. The Premises shall not be used for lodging or manufacturing, cooking or food preparation.
20. Lessee shall comply with all safety, fire protection and evacuation regulations established by Lessor or any applicable governmental agency.
21. Lessor reserves the right to waive any one of these rules or regulations, and/or as to any particular Lessee, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such Lessee.
22. Lessee assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.
23. Lessor reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Office Building Project and its occupants. Lessee agrees to abide by these and such rules and regulations.

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RULES AND REGULATIONS FOR  
STANDARD OFFICE LEASE  
PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles."
2. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.
3. Parking stickers or identification devices shall be the property of Lessor and be returned to Lessor by the holder thereof upon termination of the holders parking privileges. Lessee will pay such replacement charge as is reasonably established by Lessor for the loss of such devices.
4. Lessor reserves the right to refuse the sale of monthly identification devices to any person or entity' that willfully refuses to comply with the applicable rules, regulations, laws and/or agreements.
5. Lessor reserves the right to relocate all or a part of parking spaces from floor to floor, within one floor, and/or to reasonably adjacent offsite location(s), and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
6. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.
7. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Lessor will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
8. Validation, if established, will be permissible only by such method or methods as Lessor and/or its licensee may establish at rates generally applicable to visitor parking.

9. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited..
10. Lessee shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
  - li. Lessor reserves the right to modify these rules and/or adopt such other reasonable and nondiscriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
12. Such parking use as is herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

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AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION  
GUARANTY OF LEASE

WHEREAS, IBERIA, LLC. AS SUCCESSOR TO TOHYON PARTNERSHIP , hereinafter  
"Lessor", and RECONSTRUCTION DATA GROUP, INC. , hereinafter  
"Lessee", are about to execute a document entitled "Lease" dated June 1, 2001 concerning the premises commonly  
known as  
11650 Iberia Place, #201, San Diego, CA 92128  
wherein Lessor will lease the premises to Lessee, and  
WHEREAS, Scott Baker  
hereinafter "Guarantors" have a financial interest in Lessee, and  
WHEREAS, Lessor would not execute the Lease if Guarantors did not execute and deliver to Lessor the Guarantee of  
Lease.

NOW THEREFORE, in consideration of the execution of the foregoing Lease by Lessor and as a material inducement to Lessor to execute said Lease, Guarantors hereby jointly, severally, unconditionally and irrevocably guarantee the prompt payment by Lessee of all rents and all other sums payable by Lessee under said Lease and the faithful and prompt performance by Lessee of each and every one of the terms, conditions and covenants of said Lease be kept and performed by Lessee.

It is specifically agreed that the terms of the foregoing Lease may be modified by agreement between Lessor and Lessee, or by a course of conduct, and said Lease may be assigned by Lessor or any assignee of Lessor without consent or notice to Guarantors and that this Guaranty shall guarantee the performance of said Lease as so modified.

This Guaranty shall not be released, modified or affected by the failure or delay on the part of Lessor to enforce any of the rights or remedies of the Lessor under said Lease, whether pursuant to the terms thereof or at law or in equity,

No notice of default need be given to Guarantors, it being specifically agreed that the guarantee of the undersigned is a continuing guarantee under which Lessor may proceed immediately against Lessee and/or against Guarantors following any breach or default by Lessee or for the enforcement of any rights which Lessor may have as against Lessee under the terms of the Lease or at law or in equity.

Lessor shall have the right to proceed against Guarantors hereunder following any breach or default by Lessee without first proceeding against Lessee and without previous notice to or demand upon either Lessee or Guarantors.

Guarantors hereby waive (a) notice of acceptance of this Guaranty, (b) demand of payment, presentation and protest, (c) all right to assert or plead statute of limitations relating to this Guaranty or the Lease, (d) any right to require the Lessor to proceed against the Lessee or any other Guarantor or other person or entity liable to Lessor, (e) any right to require Lessor to apply to any default any security deposit or other security it may hold under the Lease, (f) any right to require Lessor to proceed under any other remedy Lessor may have before proceeding against Guarantors, (g) any right of subrogation.

Guarantors do hereby subrogate all existing or future indebtedness of Lessee to Guarantors to the obligations owed to Lessor under the Lease and Guaranty.

If a Guarantor is married, such Guarantor expressly agrees that recourse may be had against his or her separate property for all of the obligations hereunder.

The obligations of Lessee under the Lease to execute and deliver estoppel statements and financial statements, as therein

provided, shall be deemed to also require the Guarantors hereunder to do and provide the same.

The term "Lessor" refers to and means the Lessor named in the Lease and also Lessor's successors and assigns. So long as Lessors interest in the Lease, the leased premises or the rents, issues and profits therefrom, are subject to any mortgage or deed of trust or assignment for security, no acquisition by Guarantors of the Lessors interest shall affect the continuing obligation of Guarantors under this Guaranty which shall nevertheless continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment and their successors and assigns.

The term "Lessee" refers to and means the Lessee named in the Lease and also Lessee's successors and assigns.

In the event any action be brought by said Lessor against Guarantors hereunder to enforce the obligation of Guarantors hereunder, The unsuccessful party in such action shall pay to the prevailing party therein a reasonable attorney's fee which shall be fixed by the court.

Executed at  
on  
Address

\\S\ Scott Baker  
Scott Baker